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# BUSINESS WEEK



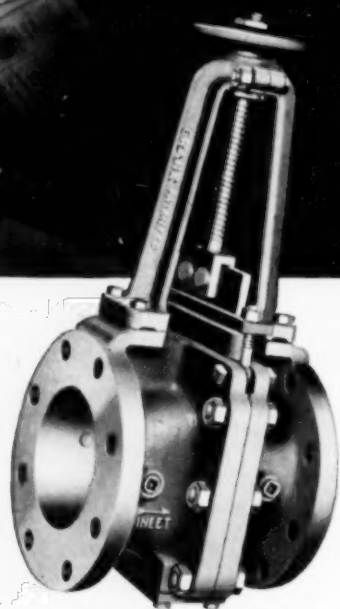
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NY, INC.

ENTS

THE GREAT PLAINS — They'll make business news in coming weeks as the wheat harvest moves north. (Photo from the 18th floor of North Dakota's state capital.)

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## 4014 VALVES were used...

*In one of the country's better known paper mills producing 360,000 pounds of newsprint per day, independent appraisal engineers found a total of 4014 valves. 900 of these were on the four Fourdriniers alone. 196 were attached to other machine units. On the various pipe lines in the mill were 967 Globe Valves, 1576 Gate Valves, 49 Check Valves, and 329 of widely diversified types. Nor is this mill unusual in its dependence on valves. Another mill with 160,000-pound capacity has 2419 valves; still another uses 2317. Thus, while the actual number of valves varies with the capacity, the type of equipment and the range of product, there is no variation in the paper maker's dependence upon valves to control virtually every phase of production.*

## FROM LOGS TO PAPER ON WHICH NEWS IS PRINTED

Water makes paper possible . . . water in vast quantities. In a pulp mill alone, 60,000 gallons of it are used in making every ton of paper pulp . . . plus the 9,000 pounds of steam that go into that process. For the wood fibres from which paper is made are cleansed in water, cooked in water, and carried from process to process in water. Thus, because paper making is largely a matter of handling fluids, it is an industry depending for its control upon valves.

But throughout the mill there are also countless valves like those that serve any industry. Take away those valves and steam would become a wild, unmanageable menace rather than an obedient source of power. Take away valves and industry would have to revert to the technique of our great-great-

grandfathers. Take away valves and the industrial usefulness of gas, oil, and many other fluids would cease to exist.

Thus, the valve manufacturer finds himself close to the heart of modern industry—faced, day by day, with industry's endless needs for valves. Some suggestion as to how Crane has responded to these needs is illustrated by the Crane catalog which includes over 38,000 valve and piping items.

Some of these items are as common as pipe itself. Others are highly specialized to meet extreme industrial requirements. But this is true of all: Crane builds uncommon quality into every item no matter how common or how specialized its use. That's why so many users turn to Crane for every requirement in valves, fittings, and piping.

and the **CRANE** line covers them all

CRANE CO. • GENERAL OFFICES: 836 SOUTH MICHIGAN AVE. • CHICAGO

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Today the  
Leading Low-  
Priced Cars  
Cost About  
the Same..

# TRY THE AMAZING NEW RIDE OF THE PLYMOUTH "Roadking"

➤ This big, beautiful Plymouth has the most sensational ride in the lowest-price field...with new faster steering and new easier handling.

➤ Of the leading lowest-priced cars, Plymouth is by far the roomiest...nearly 7 inches longer than one; more than 10 inches longer than the other.

➤ All Plymouth models have the same big, 82-horsepower "L-head" engine which combines brilliant, full-powered performance with record economy.

➤ Easy to own...your present car will probably represent a large proportion of Plymouth's low delivered price...balance in surprisingly low monthly instalments.

YOU CAN SUM UP the Plymouth "Roadking" story in two words...*better value!* It has more of what people want and need in a car...and *all for sensationally low price!*

## DRIVE THE "ROADKING"

You'll find Plymouth's new ride a thrilling experience! Never before has a low-priced car offered such comfort.

Besides extra roominess, the new Plymouth offers airplane-type shock absorbers, "live" rubber "cushions" between body and frame, ingenious sound-proofing, Floating Power engine mountings.

There's greatest safety in Plymouth's *double-action* hydraulic brakes...in its all-steel body, with a Safety Interior.

## LOWER UPKEEP

And you'll save money every way with features like Plymouth's 4-ring pistons, Hypoid rear axle, valve seat inserts.

But again, the *only* way to know this great car is to see and drive it yourself. Telephone your nearby Plymouth dealer for a demonstration today.



PLYMOUTH  
"Roadking"  
5-PASSENGER SEDAN  
**\$685**

—"Detroit delivered price," including front and rear bumpers and bumper guards, spare wheel, tire and tube, foot control for headlight beam with indicator on instrument panel, ash-tray front and rear, sun visor, safety glass and big trunk space (19.3 cubic feet). Plymouth "Roadking" models start at \$645; "DeLuxe" models slightly higher. Plymouth prices INCLUDE ALL FEDERAL TAXES. State, local taxes not included. PLYMOUTH DIVISION OF CHRYSLER CORPORATION, Detroit, Michigan.

TUNE IN MAJOR BOWES' AMATEUR HOUR, C. B. S. NETWORK, THURSDAYS, 9 TO 10 P. M., EASTERN DAYLIGHT SAVING TIME

**PLYMOUTH BUILDS GREAT CARS** **THE "ROADKING" THE "DE LUXE"**



## This fleet owner Got his start with a small Loan



### How Household service helped one man to help himself

Some years ago a bright young man got a loan of less than \$300 from Household Finance to start a small coal business. The fellow was ambitious. Under his aggressive management his business grew. Today he operates a fleet of motor trucks.

Household Finance service made it possible for this enterprising young man to borrow the funds he needed to get a start. He had no collateral for a bank loan. His friends had as little money as he. At Household Finance he was able to borrow on his character—on his ability and willingness to earn and repay.

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Last year Household Finance made helpful loans of \$20 to \$300 to more than 715,000 people without bank credit. Some of these loans helped the borrowers to increase their incomes. Others provided worthy families with cash to meet emergencies. Still others were used to pay overdue bills and protect the borrowers' credit standing.

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# NEW BUSINESS

ONE of the pre-war English music hall songs which lingers in the memory included the line, "I'm Gilbert the Filbert, the Colonel of the Nuts." Gilbert may be called upon to do theme service in a new national market-building program of the American filbert industry which is concentrated in western Oregon and Washington and headed up by the North Pacific Nut Growers Cooperative, Dundee, Ore. Ira C. Powell, president of the cooperative, says, "Although production of filberts in Oregon and Washington has leaped from 120,000 lb. in 1927 to 4,000,000 lb. last year, the growers have no difficulty in disposing of their crop. The industry is looking ahead, conscious of the fact that if present rate of growth is sustained, the 1940 production would be double the 1937 crop."

FOR one reason or another, fine furs do not look quite as fine under artificial light as they do under daylight. When one of New York's fine fur stores asked the Barkon-Frink Tube Lighting Corp., 23-10 Bridge Plaza S., Long Island City, to install Dayblend "synthetic daylight" lighting, all the competitors lingered around to see what was going to happen. They must have seen sales increasing under the scientifically combined Mercury Vapor-Incandescent lighting, for four of the competitors have already made Dayblend installations, and more are on the way.

THE average life of a corporation in this nation of corporations is about 66 months. No wonder the employees of Warren Webster & Co., Camden, N. J., tendered a surprise testimonial dinner to Warren Webster, their president and founder, on Thursday, June 23, for the company is celebrating not only its golden anniversary, but 50 years of continuous existence under his able and active direction.

THOUGH the merger of Allegheny Steel Co. and Ludlum Steel Co. will not be ratified by stockholders until August, the managements of the two concerns are already cooperating in a comprehensive exhibit, "Steels of Today and Tomorrow," at the New York Museum of Science & Industry, Rockefeller Center, New York.

LAST week should have been set aside as New Institute Week, for it happens to have marked the launching of both the House Magazine Institute of America and the Industrial Research Institute. First-named will have headquarters at 56 W. 45th St., New York, and will seek to provide "a meeting ground where technical phases of house maga-

zine production may be discussed and ideas exchanged." Second, which will operate as a committee of National Research Council, 29 W. 39th St., New York, will seek to make available the benefits of research to all business in the country, preventing wherever possible duplication of research effort and concentrating inquiry on the essential.

FINANCED by American Iron & Steel Institute, an intense study of problems relating to the pollution of streams will be undertaken by Mellon Institute of Industrial Research, Pittsburgh. Aim of the study is to find best possible ways to end stream pollution, which results from the introduction of waste products of steel plant operation.

EXECUTIVES whose jobs include locating territories, routing salesmen, and directing sales efforts generally may be glad to know that the visible filing idea has been applied to a desk atlas so compact that it can be slipped into a desk drawer—"Acme Visible Atlas," published by Acme Card System Co., 8 S. Michigan Ave., Chicago. Price \$18. Executives whose jobs include the planning and purchasing of color printing may be glad to know how two or three colors may be made to do the work of four, or how certain combinations and blendings of colors are actually going to look when printed. H. W. Schild, president, Ridge Publishing Co., 360 N. Michigan Ave., Chicago, answers a multitude of color questions in one book, "The Color Prophet." Price \$72.50.

LAST year, Allan H. Mogensen, motion study expert and contributing editor of *Factory*, 330 W. 42nd St., New York, took a group of young industrial executives to Lake Placid, N. Y., for a Work Simplification Conference lasting about six weeks. This year, having extended the application of his motion studies to banking and store operation, and meanwhile having been awarded the Gilbreth Medal for his "distinguished contribution to management," Mr. Mogensen is assembling a second group of 25 industrialists, bankers, and merchants for his second Work Simplification Conference at Lake Placid, from July 11 to August 20.

BUSINESS WEEK (with which is combined The Magazine of Business) June 25, 1938, No. 460. Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw, Founder and Honorary Chairman. Publication office, 99-129 North Broadway, Albany, N. Y. Editorial and executive offices, 120 W. 42nd St., New York, N. Y. James H. McGraw, Jr., President; Howard Ehrlich, Executive Vice-President; Mason Britton, Vice-Chairman; B. R. Putnam, Treasurer; D. C. McGraw, Secretary; A. W. Morrison, Circulation Manager. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 20c per copy. Entered as second class matter December 4, 1936, at the Post Office at Albany, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1938 by McGraw-Hill Publishing Company, Inc.



# WASHINGTON BULLETIN

**WASHINGTON (Business Week Bureau)**—Too much weight is put on preliminary meetings between big business executives and New Deal prima donnas. Although such meetings are intended by the "intermediaries" to put the conduct of the anti-trust investigation on a high plane, the fact remains that New Deal strategists such as Thurman Arnold, Tommy Corcoran, Ben Cohen, and Herman Oliphant cannot be turned from their path.

## Roosevelt's Choices

BESIDES Arnold, representing the Department of Justice, and Oliphant for the Treasury, the Administration officials slated for official designation to the anti-trust investigating commission are Isador Lubin, head of the Bureau of Labor Statistics; Richard C. Patterson, Jr., Assistant Secretary of Commerce; William O. Douglas, Chairman of the Securities and Exchange Commission; and Garland S. Ferguson, Jr., chairman of the Federal Trade Commission.

SEC Commissioner Jerome Frank and Willis Ballinger, FTC economic adviser, have been named as alternates for Douglas and Ferguson respectively.

The investigating commission's first \$100,000 of expense money will be available July 1, and there's \$400,000 more which can be expended at the discretion of the President.

## Congressional Balance Wheel

OF COURSE, Administration officials don't have all the say. A half dozen Senators and Representatives, including Senators Borah and O'Mahoney, have their own ideas on how to proceed. Participation by Congress in the inquiry was not desired by the President but three members of each house are in and their independent attitude is fair assurance that it will not be dominated by the White House.

## Varied Points of View

AMONG the Congressional members of the commission, Rep. Eicher of Iowa is a real New Dealer, but the rest of the contingent splits along other lines. Sen. King and Representatives Sumners and Reece will seek to define anti-trust policy for the future in a quiet, orderly, fact-finding inquiry without upsetting business. Senators Borah and O'Mahoney disclaim any intention of turning the inquiry into a circus, but they believe nevertheless that it should be a public performance.

## Business Influence Limited

CONGRESSIONAL members have not been present at the meetings arranged between Administration officials and various members of Sec. Roper's Business Advisory Council.

The council never has been able to exert any significant influence on the Administration, although Prentiss L. Coonley, who came to Washington some time back as assistant to W.

## Debt Propositionist?



JOE KENNEDY AND SHIP REPORTERS

**ARRIVING Monday on the Queen Mary**, ostensibly here to see a son graduated from Harvard, the Ambassador to the Court of St. James's denied he was bringing with him a plan for settling definitely the British war debt. However, Washington expects debts to be on the agenda of his conversations at the White House.

Averell Harriman, council chairman, is trying to build up its effectiveness as an agency of cooperation between business and government.

He has succeeded at least to the extent of bringing into personal contact with the young brain trusters such prominent members of the Roper group as Teagle of Standard Oil, Hamilton of American Radiator, Batt of SKF, Nelson of Sears, Stettinius of U. S. Steel, Folsom of Kodak, and Francis of General Foods.

## Prepare Wage-Hour Data

It's full-steam ahead on wage-hour regulation as the Labor Department, under the direction of energetic Isador Lubin, digs into fact-finding so that the new administrator and industry boards can get down to cases without delay.

Lubin's staff is assembling all available data on the wage situation in various industries but is emphasizing those in which the first attempt is likely to be made to push up the statutory minimum of 25¢. Fertilizer, lumber in the South, and a small segment of cotton textiles, primarily in the South, are the acknowledged battlegrounds on which the effectiveness of the ambiguous law will be tested.

## Writing Job History

A QUESTION of first-order importance to many industries is: which of them will be classified as seasonal and therefore either wholly or partially exempt from maximum hour and overtime provisions of the wage-hour law? What the administrator declares to be seasonal will depend on the formula adopted. To provide the factual basis for establishing this yardstick, the Labor Department is compiling a history of employment since 1919 in every important industry.

## Want Tax-Free Earning

LATEST recovery formula for encouragement of private investment is a proposed change in the tax laws which would let owners of a business earn a stated return on their capital before having to pay federal income taxes. This would put return on capital in the classification of business expense, along with wages, salaries, and bond interest. Its advocates admit that federal taxes on the surplus above this return, which they would fix at 6%, would have to be very high to make up the difference to the Treasury.

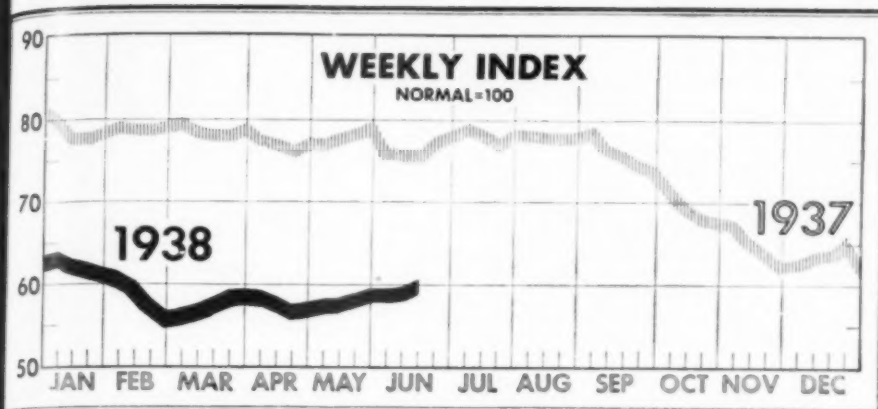
Endorsement by William Green, of American Federation of Labor, is claimed, and efforts are being made to induce certain outstanding Republican candidates this year, including Judge James, running for governor of Pennsylvania, to make it an issue.

## Jimmy vs. Jim

A PATRONAGE dispute between Jimmy Roosevelt and Farley is holding up appointment of the new Civil Aeronautics Commission. For administrator the gossip puts Grant Mason, Pan American's agent in Cuba, in the lead. Betting is running against Col. J. Monroe John-



# BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



## The Figures

Latest Week	*60.6
Preceding Week	†59.7
Month Ago	58.8
Year Ago	76.4
Average 1933-37	69.2

## PRODUCTION

*Steel Ingot Operation (% of capacity)	28.0	27.1	29.0	75.9	58.1
*Building Contracts (F. W. Dodge, 4-week daily average in thousands)	\$11,702	\$10,696	\$8,748	\$10,478	\$6,481
*Engineering Construction Awards (Eng. News-Rec. 4-wk. daily av. in thousands)	\$6,759	\$6,727	\$7,659	\$11,930	\$6,568
*Bituminous Coal (daily average, 1,000 tons)	862	916	862	1,176	1,132
*Electric Power (million kw.-hr.)	1,991	1,992	1,968	2,214	1,841

## TRADE

Total Carloadings (daily average, 1,000 cars)	92	93	80	125	108
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	63	61	62	80	70
*Check Payments (outside N. Y. City, millions)	\$3,957	\$3,917	\$3,967	\$4,830	\$3,689
*Money in Circulation (Wednesday series, millions)	\$6,420	\$6,437	\$6,402	\$6,415	\$5,741

## PRICES (Average for the week)

Wheat (No. 2, hard winter, Kansas City, bu.)	\$ .67	\$ .78	\$ .82	\$1.24	\$ .95
Cotton (middling, New York, lb.)	8.56¢	8.22¢	8.46¢	12.55¢	11.62¢
Iron and Steel (Steel, composite, ton)	\$38.38	\$38.38	\$38.50	\$39.80	\$33.32
Copper (electrolytic, Connecticut Valley basis, lb.)	9.000¢	9.000¢	9.000¢	14.000¢	9.900¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100)	136.5	134.3	134.2	200.1	157.3

## FINANCE

Bond Yields (Standard Statistics, average 45 bonds)	6.72%	6.92%	6.55%	4.42%	4.73%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	.85%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate)	.75-1%	.75-1%	.75-1%	1.00%	1.05%
Business Failures (Dun and Bradstreet, number)	247	273	222	166	241

## BANKING (Millions of dollars)

Total Federal Reserve Credit Outstanding (Wednesday series)	2,598	2,582	2,589	2,583	2,444
Excess Reserves, all member banks (Wednesday series)	2,730	2,710	2,555	752	1,505
Total Loans and Investments, reporting member banks	20,866	20,944	20,679	22,573	20,157
Commercial and Agricultural Loans, reporting member banks	3,958	3,962	4,074	4,326	†
Security Loans, reporting member banks	1,244	1,455	1,177	2,066	†
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks	9,483	9,325	9,343	9,721	†
Other Securities Held, reporting member banks	3,022	2,994	2,925	3,111	†

\*Factor in Business Week Index. \*Preliminary, Week Ended June 18. † Revised. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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## MEMO FOR MEN

### Who are Thinking Ahead on Future Building Needs

**T**HIS is a straight-forward suggestion with no strings tied to it. The suggestion is based on the assumption that you believe you will require a new plant, plant addition or modernization sometime this year. The suggestion is also based on the assumption that you are accumulating information NOW upon which to base your decisions later. • Truscon offers to cooperate with you NOW with one objective in view, namely: To predetermine whether or not the advantages of Truscon Steel Buildings can be effectively and

economically applied to your specific needs. • It will cost you nothing to accumulate these important data. Neither will it obligate you in any respect. To use an old expression, "You have everything to gain and nothing to lose" by giving us the opportunity of cooperating with you to reach the stated objective. • Investigate Truscon Steel Buildings NOW! The convenient form on this page, properly filled in and returned to us, is all that is necessary to start Truscon into action in your interest.

TRUSCON STEEL COMPANY, YOUNGSTOWN, OHIO

Gentlemen:

We are thinking about the item checked below. We understand that you will cooperate with us in determining whether or not Truscon Steel Buildings may meet our needs. This request is based on the understanding that we incur no obligation. We are interested in ☐ a new building; ☐ a plant addition; ☐ a plant modernization.

Our firm name.....

Address.....

My name.....

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**PERMANENCE:** All units are made of copper-bearing steel, resistant to fire, rust, corrosion. Truscon Steel Buildings are also warp-proof, waterproof and weather-tight. Every Truscon Standard Building is equipped with a base panel of ENDURO Stainless Steel giving added protection against rust and corrosion.

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**SPEED OF ERECTION:** Truscon Steel Buildings are erected with shop-fabricated units of predetermined accuracy. No waste materials. No delays. Minimum erection time.

**PORTABILITY:** Although permanent buildings of great structural strength and rigidity, Truscon Steel Buildings can be dismantled, the units moved to new locations and re-erected with practically full salvage value.

# TRUSCON

*Steel company*

YOUNGSTOWN . . . OHIO

37 SALES ENGINEERING OFFICES

SUBSIDIARY: REPUBLIC STEEL CORPORATION

# THE BUSINESS OUTLOOK

**SUDDEN** and striking improvement in sentiment occurred this week, reflected in a rise in security and commodity prices and a pick-up in business purchasing. Under these influences, the economic outlook has improved; the midsummer letdown is not expected now to be as sharp as had been feared, and there is renewed confidence in an autumn revival.

It is too soon to say, however, that the tide has turned. There are too many depressing factors still at work to be sure that the low in either business or prices is behind us. If consumers' goods activity does pick up sooner than expected, it will be in part offset by continued dullness in the capital goods field. It would not be prudent to expect a significant pick-up in the general indexes of activity this side of Labor Day.

## Cotton Leads the Way

One of the most noteworthy developments of the week has been the buying movement in cotton cloth. The cotton textile markets have always been peculiarly sensitive to the first breath of changed sentiment, and as a result this industry has been among the earliest leaders in the recovery from each of the depressions since the World War. It is possible that history will repeat itself in this regard in 1938. The present buying movement does not appear to be one more flash in the pan—not only have the sales of cloth been extremely heavy but they are not expected to die out altogether again. The necessity of buying to replace inventories is more compelling than it has been for a long time.

## Consumers' Goods Revival

Although cotton cloth is, as usual, the most volatile component of the whole category of consumers' non-durable goods, the outlook for other and similar lines—woolen goods, shoes, etc.—has also improved. There is a growing hope that a considerable consumers' goods revival will occur in the next few months. Inventories in many of these lines are scraping bottom, and repurchasing is bound to begin soon. An authority in this field, in an effort to put the situation into quantitative terms, has estimated that in the first four months of 1938 retail sales of general merchandise, most of it non-durable goods, had declined 8½% from the same months in 1937, whereas their rate of production had declined 2%, while outstanding commitments

of the retail stores were down no less than 75%. A situation like this spells revival soon.

## Government Buys Surpluses

Contributing to a consumers' goods revival will be the government relief outlays and especially the new direct purchases of finished goods. Now that Congress has passed the big spending bill, and the election campaign is on, steady expenditure of federal funds in these directions is to be awaited.

Hitherto the Commodity Credit Corp. has at times bought or loaned against surpluses of farm commodities, but this summer's policy involves the first actual purchasing of finished clothing, processed food products, etc., for the direct purposes of removing surpluses from these markets and making way for more production. This is bound to have some effect in reinforcing any pick-up in consumers' goods activity this fall.

## Wage-Hour as Incentive

The newly enacted wage-hour law may have a minor influence. There might easily be some anticipatory increase in activity by industries now paying less than the minimum wage, followed by a slump in activity like that which occurred in July, 1933, when the NRA became effective.

The rise and fall in 1938 would be on a much smaller scale than five years ago, since it is believed that only a quarter of a million workers will be affected by the 25¢ minimum. It may help to speed up revival in some industries, and then damp it down after October. The longer-run results of the law will depend on its administration.

## Auto Output and Models

The prospects for the durable consumers' goods are less bright than those for textiles, shoes, etc. Automobiles, for example, can hardly expect anything other than a continued depression for some months to come. It is true that the situation is looking better than had been expected two or three weeks ago, when it was understood that a practically complete shut-down would occur in July and August. However, third quarter domestic production, even now when sales have picked up from their low point, is not expected to exceed 200,000 cars, as contrasted with 1,000,000 in the third quarter of 1937.

Whether recovery in non-durable goods can spread in the fourth quarter to general industrial activity will depend in part on the success of the 1939 models. Mystery still conceals both the

extent of the changes from the 1938 models and the price at which they will be brought out. Rumors of a new extremely low-priced car have been current, but the fourth quarter of 1938 seems entirely too soon to expect such plans to materialize.

## Steel Shows Improvement

The steel industry also has had a slight improvement in its business. Bookings this month are running ahead of May, the orders coming mostly from automobile companies and miscellaneous consuming industries.

More significant, however, are the tentative discussions between U. S. Steel Corp. and the Steel Workers Organizing Committee. A cut in steel wages would eliminate an important rigidity in the steel cost structure, which in turn would contribute toward eliminating rigidity in the steel price structure. Out of that might come increased buying of steel.

## Outlook in Construction

Turning from the field of manufacture to that of construction, the outlook still appears at least fair in residential building, although poor in the private non-residential field. Both the building contract figures and those for mortgages filed with and approved by the Federal Housing Administration are making good reading, the former practically equaling and the mortgages far exceeding (due to the new law) the 1937 totals.

Meanwhile the influence of the new public works program, signed by the President on Tuesday, will be tested out. It is said that \$600,000,000 in projects have been approved and will be launched at once. It seems reasonable to expect that the chief force of this program will not be felt until the spring, although it will doubtless lead to a number of large publicly financed construction contracts this autumn.

## Private Capital Goods

It is private capital goods which will drag in any revival this year. The last few days of the Congressional session resulted in more than one action unfavorable to the public utilities—in particular the authorization to the federal government to build its own power projects under the flood control bill. More than one important railroad is likely to be in financial difficulties before Congress comes into session again.

The incentive to invest or to expand in industry and commerce is still low. It is in these fields, essential to prosperity, that the outlook is poorest today.



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yourself  
ahead*

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Topeka, Kan. . . . .	Chicago, Ill. . . . .	1.50	.90
Toledo, Ohio . . . . .	Sioux City, Iowa . . .	2.00	1.20
Pierre, S. D. . . . .	New York, N. Y. . . .	4.00	2.50
Washington, D. C. . .	Reno, Nev. . . . .	6.00	4.00

\* 3-minute station-to-station rates. Night rates are in effect from 7 P.M. to 4:30 A.M. every night and all day Sunday.

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JUNE 25, 1938

## TVA Low Bid Halts Utility Deal

**Lilienthal's refusal to pay going value for Tennessee Power not only deadlocks first dicker with Willkie but shakes industry's hope of peace.**

THE much-talked-of harmony between the New Deal and the privately-owned utilities is not yet. Negotiations by the Tennessee Valley Authority for purchase of Commonwealth & Southern's Tennessee Electric Power Co., first big company put on the block, have bogged down. *Business Week* learned this week that the collapse was due to TVA's refusal to pay anything like going value for the properties.

TVA's first bid wasn't much more than half of what TEPCO is worth. That bid carried government utility policy from talk to facts, and those facts, to the industry, don't spell the peace so often discussed.

David Lilienthal of TVA naturally is doing some horse-trading, but the bid doesn't begin to cover cost of reproducing the bare physical properties, much less allow for what it has cost TEPCO to recruit its capital and obtain its customers. None of the parties is willing to say officially what the independent audit by a nationally-known accounting firm showed, but it is known that TEPCO's electric rate base is \$94,000,000 and that Wendell L. Willkie, president of the parent Commonwealth & Southern, has said right along that there wasn't a dollar of water in the property.

When TVA started the audit, the accountants were told to value bare

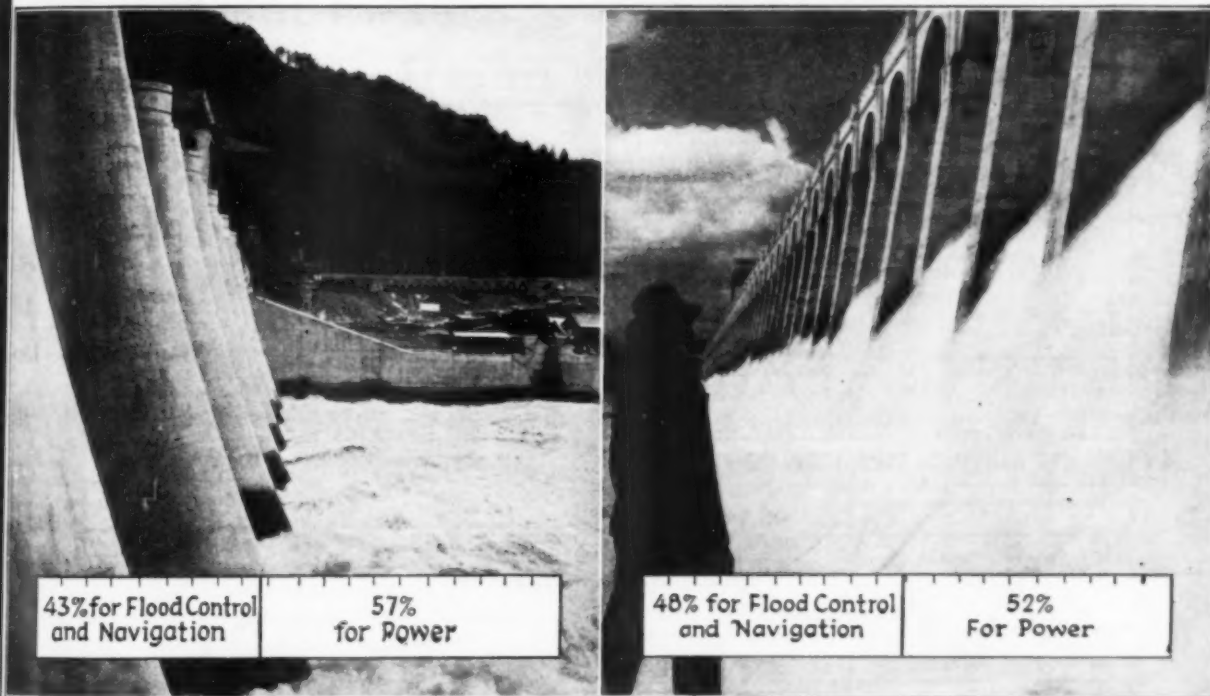
physical properties—to find out just how much generating stations, transmission lines, and distribution systems were worth. TVA refused to allow for cost of building the business or any of the other things that make a corporation a going concern. The resultant valuation, it is safe to say, was fairly substantially below the rate-base figure of \$94,000,000.

But Commonwealth & Southern also had the auditors value TEPCO as a going concern, and this figure approximated the valuation for rate-making purposes.

### Negotiations Adjourned

That was the situation a few days ago when David Lilienthal and Wendell Willkie sat down to discuss TVA's proposed purchase of TEPCO. Judging from the fact that negotiations were quickly adjourned and that Willkie subsequently told his stockholders that a successful conclusion in the discussions seemed remote, it

## HOW LONG IS A YARDSTICK? TWO FEDERAL AGENCIES GIVE CONFLICTING ANSWERS IN ALLOCATING PROJECT COSTS



Bonneville

TVA's Wilson

TENNESSEE Valley Authority values three dams—Wilson, Wheeler, and Norris—at \$94,125,671 and allocates 52% of that total to the electric power end of the business. Bonneville, when complete, will have cost an estimated \$74,144,600, and about 57% is allocated to power. Many engineers and accountants

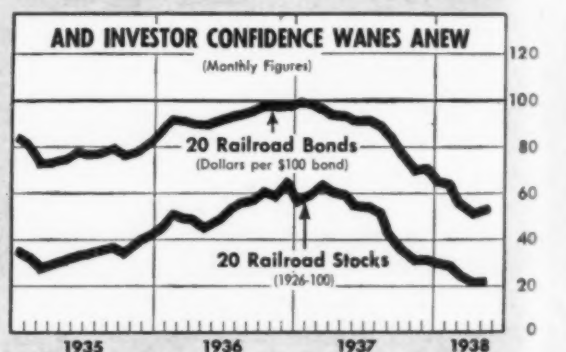
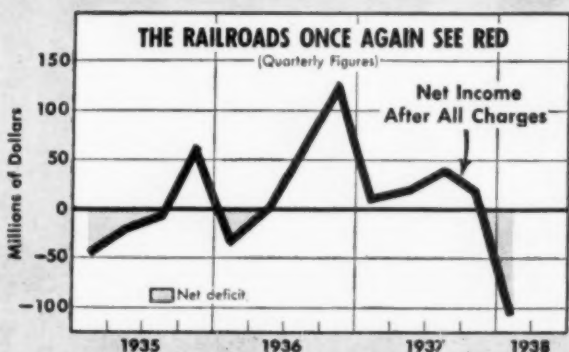
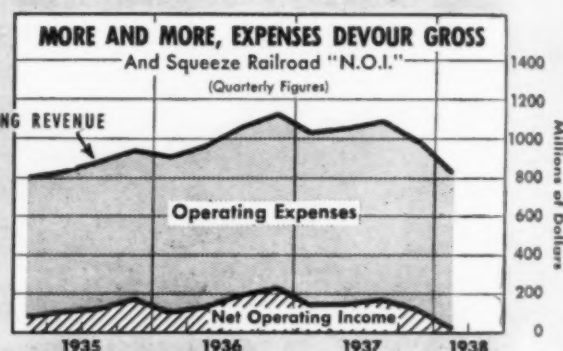
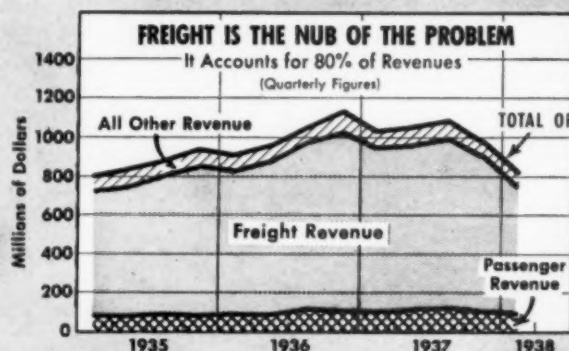
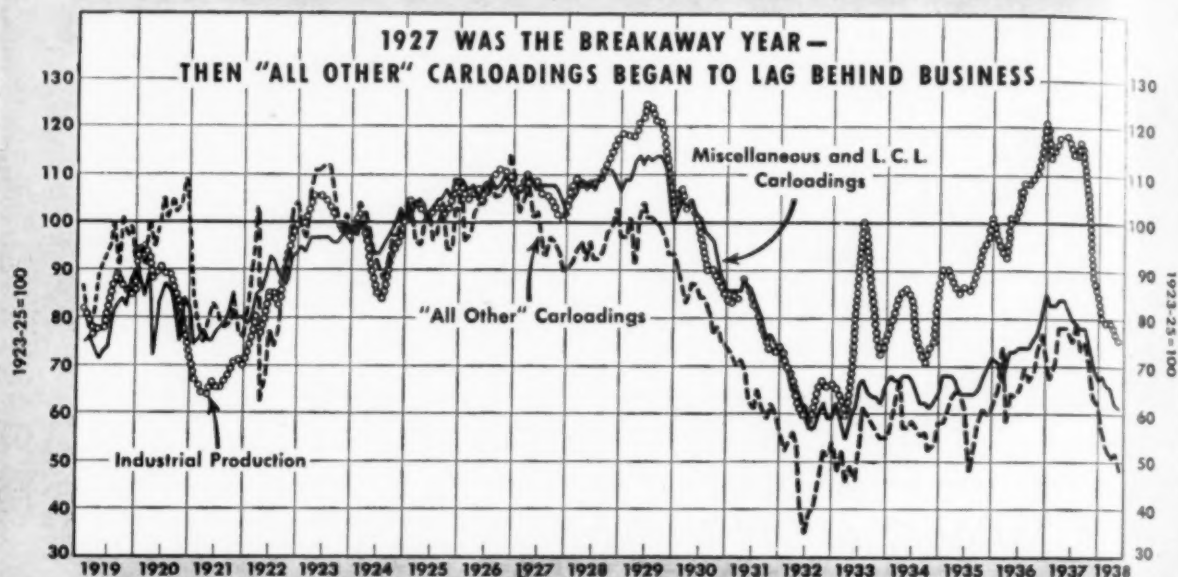
figure TVA's yardstick would be a very different length if Wilson Dam were carried at total cost of about \$59,000,000 instead of at approximately \$30,000,000. They say TVA wouldn't be so optimistic about repaying its 52% for power, with interest at 3% annually, in 30 years.

*Gendross, Engineering News-Record*



# THE RAILROADS—AND THEIR SUFFERINGS

Revenues are down sharply, but expenses (being less elastic) are not down as much. Results: (1) net operating income approaches the vanishing point; (2) deficits after fixed charges appear anew; (3) stock and bond prices slump. All of which is no help to railroad credit.



Data: Interstate Commerce Commission, Federal Reserve Board, Standard Statistics Co.

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may be concluded that the discussion went something like this:

Lilienthal opened the talk with the declaration that TVA didn't need to buy any generating stations or transmission lines—it already has its own. He was interested, he said, in picking up some distribution systems (customers attached) and for these he would pay well. TEPCO's generators and high lines would be taken at upset values. It was on that basis that he made his bid for TEPCO—a bid far under the auditor's valuation of the bare electric facilities.

#### If You Talk Figures Like That—

Across the table, Willkie may have thought that the low figure was simply an astute trader's opening offer, but he wasn't going to talk in those terms.

"Dave", he said in effect, "if you want to talk figures like that, we might just as well quit. Tennessee Electric Power has \$49,000,000 of bonds outstanding, and \$24,000,000 of preferred stock. Why, you'll hardly give us enough to pay off our bondholders. I said I'd sell at a fair price, but I'd be violating my stewardship to my stockholders if I even listened to an offer like yours."

There the matter is deadlocked. A few weeks ago TVA paid Tennessee Public Service 105% of its rate base after eliminating the transmission line feeding the company, and allowing

nothing for the street railways) for the Knoxville distribution system. Commonwealth & Southern felt, before the negotiations started, that the same kind of a deal for TEPCO would bring \$100,000,000.

Concerning Lilienthal's general position at present the utility industry figures that he thinks he has spiked the guns of his deposed chief, Dr. A. E. Morgan, and stymied the Congressional committee in its investigation of TVA. This belief is strengthened by the fact that TVA has just announced allocation of project costs and saddled the electric power end of the program with a much larger portion of the load than was expected.

To start with, TVA valued its three big, completed dams—Wilson, Wheeler, and Norris—at \$94,000,000 and charged 52% of that cost to power. It valued Wilson dam at just over \$30,000,000, against actual expenditures without interest of \$59,000,000. It didn't include the powerful and costly transmission line that links these dams and forms an integral part of the power outlay.

Aside from the fact that utility men think the accounting behind the allocation is cockeyed by \$30,000,000 to \$40,000,000, they feel that the charge of 52% on power is an adroit move to rob ex-Chairman Morgan of the contention that TVA's power policy is dishonest because the yardstick rates don't pay their rightful share of costs.

## Railroads Left to Help Themselves

**Failure of Congress to provide easy RFC loans forces railroads to persist in fight for wage cuts to avert widespread receiverships.**

On April 11, President Roosevelt sent a special message to Congress calling for legislation to bolster the shattered credit and earning power of the country's railroads (*BW—Apr 16 '38, p13*). Two months later—June 14—the President was asked whether he still wanted railroad legislation, and said it would be nice. Two days after that Congress adjourned. Nothing had come of the President's special message.

And this week, there was nothing left for the railroads to do except to fall back on their own resources. Easy and extensive loans by the Reconstruction Finance Corp. to tide over carriers on the borderline of receivership were out of the question. So the first order of business for railroad managements was to press forward in the fight for wage reductions. Negotiations get down to brass tacks next month. Without a pay cut, the class I carriers can look forward to a crushing \$150,000,000 deficit when the year is done.

By no means, will a pay cut put the carriers in clover. It won't even wipe out the deficit—not unless the roads get their full demand: a 15% reduction. And the most logical expectation is that the roads will get only half of what they bargain for or 7½%. At current traffic levels, that would cut expenses about \$135,000,000 annually—just about the equivalent of the wage increases granted last autumn.

#### Cuts Unlikely in Near Future

Unfortunately for the railroads, wage negotiations are never quickly concluded. The ritual requires conferences between the unions and the railroad managements, discussions with the National Mediation Board, and then—if no agreement is reached—an attempt to arbitrate the issues or if that fails, the appointment by the President of an Emergency Board to investigate the situation. Hence, it's not likely that reductions will come

## 16 Rail Aristocrats

It used to be—back in ancient days of 1929 and further—that a railroad that failed to cover its fixed charges was an oddity, headed for receivership. But times change, and so do standards. Today, such railroad titans as the Atchafalaya, Topeka and Santa Fe and the Pennsylvania are forced to drain their surplus accounts to meet interest. And out of the 142 class I carriers in the United States, only a handful are earning their bond interest. They might be classed as the aristocrats of railroading. Here is a list of 16 representative roads which still can hold their heads above water (but, even so, comparisons with last year are for the most part dismal):

Railroad	Fixed Charges: Times Earned 1st 4 mos.	
	1938	1937
Alabama Great Southern	1.53	3.07
Atlantic Coast Line	1.74	2.32
Bangor & Aroostook	3.48	3.76
Chesapeake & Ohio	2.01	4.26
Cinn., New Orleans & Texas Pacific	1.67	2.97
Florida East Coast	1.75	1.35
Kansas City Southern	1.11	1.04
Lehigh & New England	1.28	2.34
Louisiana & Arkansas	1.24	1.34
New Orleans, Texas & Mexico	1.73*	2.52*
Norfolk & Western	4.90	15.78
Pittsburgh & Lake Erie	2.08	51.75
Richmond, Fredericksburg & Potomac	1.88	5.21
Union Pacific	1.15	1.12
The Virginian	2.81	3.61
Wheeling & Lake Erie	1.58	7.87

\* First three months.

Most notable performance was that of a road in receivership—the Florida & East Coast. A bumper truck farming crop, along its route, has so stimulated traffic that its fixed charge coverage, so far this year, is better than last year's. In the same pleasant fix are the Union Pacific and the Kansas City Southern.

in the near future, unless the unions unexpectedly admit that maybe they ought to make some concessions to the managements, bondholders, and stockholders.

Statistically, the railroads have a moving case. Carloadings are down some 25% from last year; the recent freight rate increases, which took effect in April, have been only moderately helpful; their deficit in the first four months of the year was more than \$130,000,000; their credit as measured by stock and bond prices, is rated 40% to 60% below what it



was a year ago (see chart); ability to borrow in normal investment channels (except for the very strongest roads) is non-existent; their indebtedness to the RFC exceeds \$400,000,000; and finally, the RFC cannot make loans to the roads which need it most—roads which are not covering their fixed charges and are not likely to be covering them in the near future.

In blocking the bill to authorize the RFC to lend money to embarrassed roads without a certificate of solvency from the Interstate Commerce Commission, the Railway Brotherhoods used political tactics which may have been just a little too smart. If marginal roads go into receivership over the next few months, pressure on the unions to take a cut will increase—particularly since the railroads can point to the fact that hourly wage rates are the highest in history.

### Labor's Fabian Strategy

But unless receivership threats force the issue, union strategy will be to drag out negotiations. Right now, the roads are entering the period of seasonal improvement in traffic, and the full effect of freight rate increases is just becoming evident in net railway operating income. Hence, delay will bolster labor's bargaining power in direct proportion to the improvement in rail earnings.

In the long run, however, a wage cut appears to be almost inevitable. Either that, or wholesale receiverships.

Yet, wage cuts alone will not save the railroads. What they need is more freight. Ever since 1927, the volume of rail shipments has lagged behind the business procession. In that year, "all other" carloadings (comprising specific bulk commodities, such as coal, grain, and forest products) began to fall behind general industrial activity (see top chart). Merchandise freight—miscellaneous and less-than-carlot shipments—kept pace with the business cycle until 1933, and then it too began to feel the blight of truck competition.

### Limits to Economies

If business does not recover substantially and swiftly, providing the rails with more freight, there is one other "out"—to cut expenses. But there are limits to economies, and most roads already have cut maintenance and replacement charges to the bone. Some further cost-cutting might be feasible through coordination and consolidation of facilities. But that's a slow process, hardly suited to the requirements of a financial emergency.

So the immediate hope is an upturn in traffic. For the longer term, there will be a Congressional study of the rail situation, looking toward the legislation that never came last session.

## U.A.W. Fight Heads for Showdown

**Arbitration seems unlikely as Martin insists on trial of suspended officers and as both sides take their case to the locals. Other unions have similar problems.**

PROSPECTS for healing the breach in the United Automobile Workers Union between the Progressive faction, headed by President Homer Martin, and the Unity group, led by the five officers whom Martin suspended (*BW*—*Jun 18*'38,p26), continued exceptionally remote this week, with both right and left wing leaders fortifying their positions for a bitter-end fight.

There was some talk that both sides might agree to submit the issue to arbitration by a special administrator from the high command of the C.I.O., but nobody in Detroit considered such a solution as very likely. Vice-president Richard T. Frankenstein, deposed leader of the Unity faction, and board member Walter Reuther, who led the walkout of six of his fellows when the suspension order was announced, are not opposed to the idea of arbitration, but President Martin remains adamant in his determination to force a trial of the "insurrection" charges which were the basis of the suspension order.

### Press for Special Convention

For their part, the suspended officers—at least some of them—are agitating for a special convention of the union. This requires the initiation of a referendum vote by at least five locals in three states, representing 10% of the membership at the time of the last regular convention. The referendum would

have to show at least a 25% vote in favor of a special convention. Martin is opposed to the calling of a special session not only because it would cost more money than the U.A.W. can well afford, but because he realizes that the left wingers with support from the center are more strongly organized politically than are his Progressives.

If individual deals can be made, Martin might be persuaded to drop the idea of a public trial for all five suspended officers and attempt to split the opposition by ordering some reinstatements.

### Independent Union Possible

However, with both sides attempting to woo the rank-and-file in the U.A.W.'s four hundred locals, most of which are listening to both sides of the fight in closed sessions, the chances are best that the trials will be held and that at least some of the officers will be expelled. In that case, an independent union—unaffiliated with either C.I.O. or A.F.L. and considerably to the left of the U.A.W.—would probably enter the picture to bedevil the automobile manufacturers with threats of jurisdictional wars.

The troubles of U.A.W. are, to some extent, evident in other big unions, but the automobile union presents a combination of "new angles" which are not all present in the same degree else-



MARTIN AT PRESS CONFERENCE ON U.A.W. ROW—Interviewed by reporters last week, the U.A.W. head told reporters that he expected John L. Lewis to maintain a hands-off policy in the auto union's factional fight.



**"REBELS"**—At the left, Richard T. Frankensteen, deposed leader of the Unity faction of the United Automobile Workers Union, who has been Homer Martin's chief antagonist. At the right, three leaders of locals who are holding up the per capita

tax which is the union's life blood: Richard E. Reisinger, president of the Cleveland U.A.W. council; Ellsworth Kramer, of the Toledo U.A.W. board; and Paul E. Miley, member of the executive board of the Cleveland U.A.W.

where. Briefly, the chief sources of trouble have been these:

1. The union itself, and its leadership, are unseasoned.
2. To a considerable extent, the unionized employees are former migratory workers, used to working in one place during peak production periods and traveling around to busier spots when Detroit business dulled in slack seasons.
3. The industry itself is new, relatively speaking, and only recently attacked the problem of "leveling off" its peaks and valleys and of facing industry-wide problems with joint plans.

Obviously, a working population not used to industrial discipline is hard to educate.

### Chiefs Learn the Hard Way

Added to this problem is the other one of union "newness". When C.I.O. began to organize steel manufacture, a smart, experienced committee was drafted from other unions to steer the job. Philip Murray, Clinton Golden, David McDonald, Van Bittner, William Mitch, and others knew their business. But in automobiles, the union sprang to life in a dozen different places, under rank-and-file leadership. Displeased with the policy of the A.F.L., which had granted it a charter and had installed a president, the U.A.W. as a new-born and gigantic infant threw off the federation advisers and chose its own officials. None had ever tried to direct the activity of such a big business, and all had to learn the hard way.

Factional differences, which split the personnel in a half-dozen scrappy groups (BW—Apr 30, p. 13; May 14 '38, p. 15), are more numerous in U.A.W. than in any

other union and more violent than in any save the maritime groups. There is deep antagonism between those who clamor for "shop rule", or local self-government with a minimum of "interference" from headquarters, and those who insist on a strong central policy and obedience from locals.

### Charges and Counter Charges

Adherents of Homer Martin charge that the factions on the left are wreckers and are promoting local autonomy for the present only, because they plan eventually to seize power in headquarters and then to impose leftist political ideals on the membership. Anti-Martin factions, on the other hand, declare that Martin is a dictator interested mainly in his own advancement and not in the worker's welfare.

These contending philosophies are to be found, in lesser degree, in the other new industrial unions. In the steel union, the "shop rule" cliques have been pinched into a position of impotence by Murray and McDonald (who are also assailed as dictators by the political thinkers on the left). In the textile unions Sidney Hillman has had to discipline unruly locals, particularly in New England. In the electrical and radio union, some of the locals have been very obstreperous during the recession, and have declined to "go along" with headquarters advice, but no serious dispute has arisen. In the maritime unions, both ashore and at sea, the conflict between right and left is pretty evenly divided; "headquarters discipline" prevails on the east coast, but the Gulf unions hang on to a large measure of autonomy and free will.

## Caterpillar Cuts

**Down go the prices of its tractors and diesels. What will competitors do?**

THE Caterpillar Tractor Co., principal manufacturer of track or crawler type tractors and of diesel engines, this week took the initiative in the industry by a bold series of price reductions. It slashed diesels from \$175 to \$750, and tractors from \$150 to \$650. Its motive was to fight a declining market for industrial, road, and farm machinery and equipment.

Other companies this week were re-examining their prices, preparatory to deciding whether to follow Caterpillar in making reductions. It was not clear whether price cuts would extend to wheel-type tractors, comparable models of which sell for 30 to 50% lower than track-type. But makers of wheel-type tractors heretofore have contended that the two types are not competitive, and it seemed possible that prices of wheel-type machines would hold at their present levels, at least for the time being. This, however, was problematical. And there was much disposition to believe that cuts in track-type machines would be followed sooner or later by cuts in wheel-type machines.

In the first five months of this year, Caterpillar Tractor Co.'s sales ran 35% under 1937.

Most of its competitors have also suffered sharply, but the depression has been especially severe on track-type tractors, because of their higher price level.

# Bumper Wheat Talk Boomerangs

**Farmer gets bumped by effects of over-optimistic estimates. Naturally he blames the crop reporters. But what about the part played by the government?**

WHEN does a wheat crop become a bumper crop? Not, says the farmer, until it's in the bins! The bountiful prospects of May become the crop scares of June; witness the disturbing price swings in the wheat pits in the last fortnight. There's many a farmer in the vast wheat country of the Great Plains who will tell any interested listener that all this talk of a bumper crop has cost him plenty of money by blasting market values.

Yet the much-criticized crop reporters can look back and find out why they happened to think that there was to be a bumper crop. As early as last Jan. 25, the Department of Agriculture's Bureau of Economics said that "supplies [of wheat] in 1938-39 are likely to be more than 100 million bu. in excess of domestic needs." Again, in March, the same bureau said there were indications of "a total wheat crop of approximately 830,000,000 bu." And a month later: "925,000,000 bu."

Once more, in May: "If these indications materialize, domestic production of all wheat would total approximately 950,000,000 bu. A crop of this size would be about 280,000,000 bu. in excess of the 1932-36 average domestic disappearance of 670,000,000 bu. . . . The carryover on July 1 this year may approximate the record peak of 378,000,000 bu. carried over in 1933."

## Was "Education" Intended?

Assuming the writers who talk about the wheat crop were guided into their conception of the yield by the Department of Agriculture, why did the department want to plant the "bumper" crop idea? Was it because it thought the prospect of big crops and reduced prices might educate the farmer into cooperation with the new farm act which contemplates regulation of planting and yields?

Judge from the Department of Agriculture's oft repeated statement: "At least as a partial offset to the effect of this [950,000,000 bu.] supply situation on price, loans provided under the Agricultural Adjustment Act of 1938 would serve as a check on declining prices." It was then indicated that such loans—to impound surpluses and originate the ever-normal granary—might average upwards of 60¢ a bu.

So, while farmers cuss the crop reporters who can't restrain their adjectives, the grain markets are sifting those very adjectives for the ones which will truly appraise crop and

price prospects. The crop experts are scurrying from the Texas Panhandle to the basin of the Red River of the North like scared rabbits. They're wiring their home offices almost hourly, and papers are full of:

"Donovan says . . ."

"Miller reports . . ."

"Cromwell finds . . ."

What these and other leading crop observers "find" is beclouded by all the contradictions usual at this time of year. They thought, a couple of weeks ago, that this would be a billion bushel wheat crop—the second largest in this country's history.

## Crop Beset with Troubles

Perhaps because so much was expected of it, the crop already seems to be beset by an unusual number of adverse influences. Perhaps because business has been in the dumps, the prospect of fat farm income from wheat had been given abnormal attention. In any event, a variety of curses—more or less real—are being visited on the crop.

There's the black stem rust and the orange leaf rust in the Missouri Valley. Grasshoppers are invading the spring wheat states. Frost damage, heretofore unnoticeable, is causing shriveled heads of wheat in parts of Kansas and Oklahoma. Too much rain has, in spots, caused growth so rank the tall stems have fallen from the weight of their ripening heads, and reaping is sometimes impossible. Root exhaustion is snapping still other stems.

All these maladies have been defi-

nately detected. Moreover, the continuance of wet weather could cause the rust to spread rapidly in the spring wheat regions, as it has in much of the winter wheat area. This deterioration of the crop was to be expected. *BW—Apr 16 '38, p. 62.*

How serious are all these crop menaces? There are as many views as there are crop experts. A few weeks ago the carriers were enthusiastic about the prospects of a big wheat traffic. Now they are just a bit afraid they have gone out on a limb.

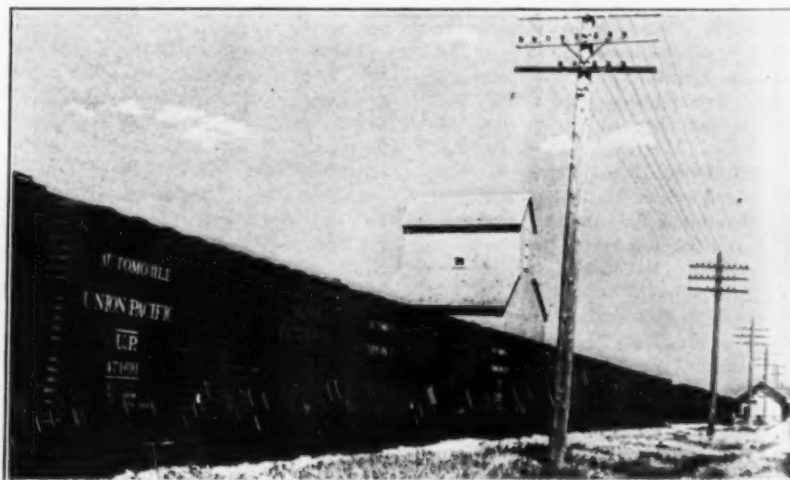
Railroads, being in small need of freight cars with business as it is, have moved something like 45,000 cars into the early winter wheat area. Now there are some experts who say that they may be bitterly disappointed in results. Also, the hopeful Inland Waterway's barge line may not do the business it expected.

At the same time, the Department of Agriculture's wheat program adds imponderables to the situation. Of primary importance is the loan program. This is designed to give farmers approximately the market value of their surplus wheat in cash if they will hold it off the market—put it in the "ever-normal granary."

## Effects of Program

The application of the idea is new, the terms are strange, and the conditions are not well understood. It is the present opinion of many experts in the Kansas wheat fields, for example, that it will slow up the movement of all wheat into commercial channels. If this is true, some buyers who have been withholding purchases may find the supply situation tighter than they had anticipated. That is, no doubt, one of the reasons that the shorts have been scurrying to cover in the last couple of weeks.

And there are a lot of other aspects



**NEXT TRIP, MAYBE**—On sidings at 'most every whistle stop in Kansas are strings of freight cars (marked "Automobiles"), awaiting the wheat harvest. Indications now are that there may be more cars waiting than will be used.





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to the program, such as the following:

1—Crop insurance. As reported in *Business Week's* last issue (page 6) farmers are in a mood to take out crop insurance for the next two years, paying premiums from the present flush crop. They can pay in kind, and it looks as if most of them had the wherewithal. It's cheap now, may be expensive another year. They're taking the gamble, and that will impound additional wheat buyers have expected to get pretty much at their own terms.

#### Persuading Compliance

2—Acreage crackdown. Those farmers who don't cooperate in next year's crop reduction programs won't be eligible for insurance, for loans, for soil-conservation benefits, or for any of the other federal largess. And the Department of Agriculture apparently intended to cut wheat planting next year to about 45,000,000 acres from this year's nearly 80,000,000. Only a last minute Congressional enactment froze the wheat allotment at not less than 55,000,000 acres.

3—Parity payments. These payments, designed to bring crop income up to pre-war parity, are provided in the new appropriations bill. This sort of thing was discretionarily authorized in the new farm law, but no funds had been made available until now.

4—Surplus relief. The Federal Surplus Relief Corp. already is buying up flour to distribute to the needy. This plan, if continued, will further reduce excess supplies of wheat (whether from the crop of 1938 or the crop of 1939 makes little difference).

5—Export subsidy. The European drought has petered out as an export factor of major importance, particularly in view of the rosy prospects for a Canadian wheat crop of as much as 350,000,000 or even 400,000,000 bu. Nevertheless, the Department of Agriculture already has hinted at the possibility of an export bounty. That would mean propping up domestic prices, sale of United States wheat in the world market at world prices, and payment to exporting farmers of the difference.



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## Blocked

**Movies get another chance to settle block booking fight as prohibitory bill goes over.**

"I JUST don't see how we can do anything about the bill this session," said Congressman Lea. "I should not like to report it out without hearings, and I cannot see where we can find time to have any at this late date."

This was the last word in the 73rd Congress on the Neely bill to prohibit compulsory block booking and blind selling of movie films. On May 17 it had passed the Senate, with astonishing ease. Then it was referred to the House Interstate Commerce Committee. The chairman of that committee was Rep. Lea of California, where the movie producers and distributors congregate to worry over things like the Neely bill.

A few days after he had quieted their worries for this year, Mr. Lea got a preview print of the film, "Robin Hood", which he ran off at a private party. Some sharp observers thought they saw a connection.

#### Exhibitors Fight for Change

For just about ten years independent motion picture exhibitors have been trying to get through legislation which would do away with the traditional method of motion picture distribution whereby, if an exhibitor wants to get one picture from a distributor, he has to sign up for a whole block of the distributor's products—and do it before he knows whether the pictures are going to live up to the distributor's promises.

Thus, the exhibitors say, they're at the mercy of the big distributors, who give them a good picture once in a while, and a stack of hash most of the time. This year hash—and revivals—are up. Exhibitors' box-office returns are down. Distributors' grosses are down. Production is down.

#### Bill Hits at System

The Neely bill's solution to the exhibitors' woes was to make it unlawful for a distributor to lease films in blocks of two or more. Exhibitors were to have a share in film distribution. Distributors were to be required to furnish synopses of all their films and any false statements therein would make them guilty of a misdemeanor, punishable by fine up to \$5,000.

While distributors howled that the bill was a farce, exhibitors were by no means all in favor of it either. Some of them insist that it will tend to raise film costs.

Now the distributors have until January to round up their exhibitors and endeavor to iron out their troubles in private.

# HEAT WARNING!

## TO TRUCK OWNERS



## Read How These New COOLER-RUNNING Goodrich Tires Protect You and Your Profits

Now you can protect yourself against the dangers caused by truck tires running excessively hot. And **HOT** is the word for it!

Today's loads and today's speeds send tire temperatures skyrocketing. Inside the carcass you will often find sizzling rubber hotter than boiling water. Temperatures up to 300°. Yet the danger line is about 240°. Higher sustained temperatures make tires "grow," cause blow-outs, premature failures.

Goodrich has licked this problem with a tire that does *not* run dangerously hot—a tire built to withstand the heat generated by heavy loads and high speeds. It's a tire that, on the "blow-out runs," has actually lasted two and three times longer!

### NEW KIND OF CORD!

Engineers invented a new way to make tire cord. They used pure American cotton, processed it to make it more compact, stronger, more elastic.

They call it Hi-Flex Cord because it resists the damaging results of constant flexing. It's an amazing type of cord that can take the sledge-hammer blows of the highway without losing its strength and

elasticity. It doesn't get lifeless like ordinary cord. Doesn't stretch and become longer, permitting the tire to "grow."

This long-life cord makes it possible for Goodrich to build a super-strong tire. Yet a tire that does not depend on thickness alone for its strength. It's a compact tire that runs *cooler*—stays below the temperature danger point.

### PRACTICALLY ELIMINATES SIDEWALL BREAKS

No wonder we can say that this new tire practically eliminates sidewall breaks! For Hi-Flex Cord, combined with two other great Goodrich developments, provides Triple Protection. No other tire gives you these three features:

**1 PLYFLEX**—a tough outer ply which distributes stresses throughout the tire and prevents local weakness.

**2 PLY-LOCK**—a new method of locking the plies about the beads, anchoring them in place.

**3 HI-FLEX CORD**—full-floated in live rubber—cord that retains its strength and protects the tire against getting dangerously hot.

And here's proof of how good these tires really are. They have been run on

tire-killing truck jobs where other tires failed—tested on high-speed cross-country bus runs. And the revolutionary new Goodrich tires actually ran two and three times longer than the best tires used before!

### NO EXTRA COST

You can now get these *same* tires for your trucks. Use them on any haul. Save on every mile. They are premium-built tires but they carry no premium price. Call a Goodrich dealer or Goodrich Silvertown Store for prices.



# Goodrich *Triple Protected* Silvertowns

SPECIFY THESE NEW SILVERTOWN TIRES FOR TRUCKS AND BUSES





## PAY THE NEW TAX THIS PROFITABLE WAY

Let new Warner & Swasey Turret Lathes pay the new Federal tax—and leave you a surplus in addition! These improved machines are making savings in production costs as high as 50% in hundreds of plants. Because they take heavier, more accurate cuts, at new high speeds, Warner & Swaseys increase production per dollar of investment, eliminate waste operations, reduce scrap loss, decrease wasteful downtime.

The average net profit earned by a new Warner & Swasey is 20% and in some plants reaches 50% and more. Let us prove what it would be in your operation. Write—

You can turn it better, faster, for less . . . with a Warner & Swasey.

**WARNER  
&  
SWASEY**  
Turret Lathes  
Cleveland

## Now It's Butter

**U.S. government gets busy on a 50,000,000 lb. plan, and some folks aren't pleased.**

FOLLOWING much the same plan employed unsuccessfully in 1933 and '34, the government last week laid its hand on the butter market in an effort to stabilize prices. As the week drew to a close, the Land O' Lakes Creameries (a cooperative), acting for the government-sponsored Dairy and Poultry Cooperatives, Inc., made its first purchases in the government-approved plan to buy and hold up to 50,000,000 lb. of butter.

The first day's buying, carried out by Land O' Lakes Creameries on the Chicago Mercantile Exchange, amounted to 885 tubs or about 55,535 lb. Next day the Dairy and Poultry Cooperatives, Inc., acting on its own behalf, began buying on the New York Mercantile Exchange, taking 1,400 tubs. Purchases on the two exchanges at the end of the week totaled about 575,333 lb., and most of that amount had already been delivered. The Commodity Credit Corp. is prepared to loan 75% of the parity price of the butter purchased.

### Trade Has Its Troubles

The butter business is admittedly in a sad state. Stocks in storage on June 1 were 54,408,000 lb., a record for that date. The five-year average is 27,895,000 lb. Prices of 92-score butter at New York and Chicago have been from 1 to 1½¢ lower than the price of Danish butter on the London market, fractionally lower than the price of New Zealand butter, and only about a cent higher than Dutch butter. But the butter trade, holding to the normally provable economic principle that the buying and holding of huge supplies of any commodity tends to depress prices rather than to raise or stabilize them, is not at all pleased by the government's latest venture. The trade harks back to 1933 and '34, when huge purchases, made first by the cooperatives and later by the Dairy Marketing Corp., actually drove the price of butter downward instead of raising it.

### Exports May Be Undertaken

Butter bought by the Dairy and Poultry Cooperatives, Inc., according to Sec. Wallace and spokesmen for the co-ops, is to be held until it can be sold for "a small additional amount" over and above the purchase price and the cost of storage and handling. The trade, however, believes last month's export of 800,000 lb. of butter by an unidentified cooperative to the Panama Railroad Co., with the government guaranteeing the difference



### *Forward flows the tide of youth!*

Forward from the high schools, prep schools, trade schools, the schools of agriculture, the colleges.

This is the America of tomorrow in the immediate making, young people with their hearts keenly set upon achievement... achievement in the professions, the arts, the crafts, and in engineering, in finance, in trade.

To all of you, *success!* May you have the strength, the courage, the foresight to plan wisely and hold your course!

Take advantage early of the helpful counsel offered by the agency representatives of The Mutual Life Insurance Company of New York.

*Begin a lasting friendship* with the one who will call on you! Learn how to safeguard your future through the strength, security and service of *life insurance*.

"THE DOLLAR THAT KEEPS ON GROWING" is The Mutual Life's 20 page booklet with a valuable message for you. A Mutual Life representative has your copy or it can be obtained by writing to the address below.

*The Mutual Life*  
Insurance Company of New York  
DAVID F. HOUSTON, President  
34 Nassau Street, New York

FIRST POLICY ISSUED



FEBRUARY 1, 1843

between the export price and the world market price, may indicate ultimate export of the 50,000,000 lb. to be bought through the government program. They reason that the dumping of so big a stock of butter might easily depress the world price.

The private creamery operator and the butter speculator are about the most angry men on the American business scene today. They have been bedeviled by the tactics used by the Federal Surplus Commodities Corp. in buying butter for people on relief. (The FSCC has dealt almost wholly in the better grades of butter—extras, as they are known to the trade—cutting down the supply and leaving the poorer grades to take care of themselves.) Now the government plan to help the co-op holding agency to buy 50,000,000 lb. has them worried. Finally, they are angered by the thought that Land O'Lakes Creameries may be able to make a nice profit by purchasing butter and handing it over to the Dairy and Poultry Cooperatives, Inc.

## Sugar Law Sours

**Quota and tariff provisions were supposed to make everything pleasant. But no!**

In sugar circles just now they are talking about the foolproof law that just didn't pan out. It's the story of hard-and-fast quotas and tariffs, all with the long arm of Uncle Sam to guarantee enforcement, and how the price of sugar has slumped to within a few points of all-time lows.

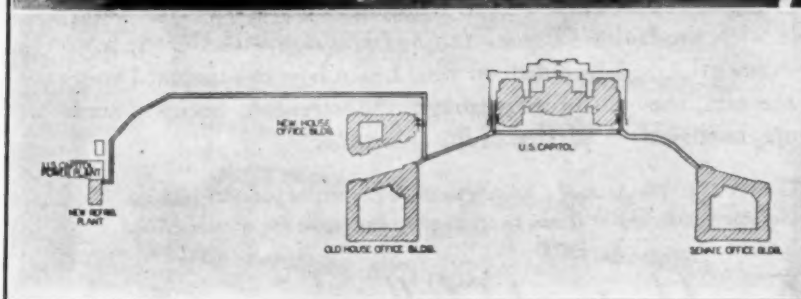
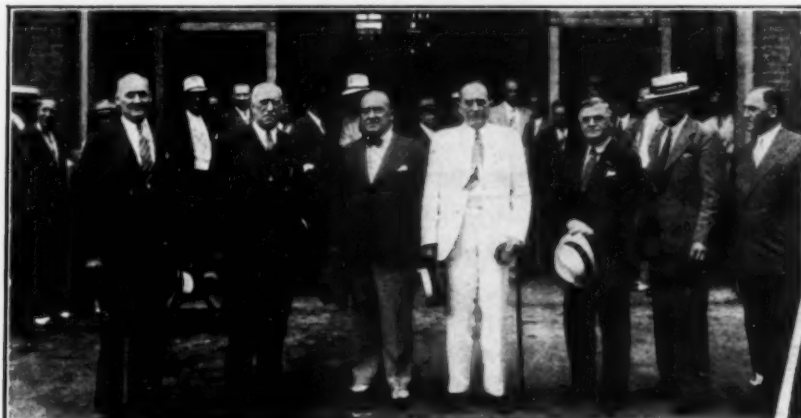
To the person who isn't intimately acquainted with the Sugar Act of 1937, it probably wouldn't appear that sugar prices had approached all-time lows. Certainly it wouldn't to the consumer who is forced to pay the 1.87¢-a-lb. tariff and the ½¢-a-lb. excise tax imposed by the law. But when taxes, tariffs, cash discounts, etc., are allowed for, the prices at which refiners sold for a few days last week were only a few points above the bottom reached back in 1932.

## Chilly to Sugar

Wall Street hasn't been kind to the sugar stocks. Low sugar prices hurt producing companies; inventory losses and a time record wage rates nip profits of cane refiners; inventory losses cut beet refiners' profits; the highest wages since 1932 dim prospects for beet producers; American prices at a discount from world parity cut Cuba's tariff differential. Whereas the Standard Statistics average of 50 industrial shares has rallied 13.6% from the March lows, few sugar stocks show much recovery, as will be seen from the following table:

	—1938—Recent		
	High	Low	Price
American Crystal ...	16 3/4	8 3/4	9
Amer. Sugar Refining ...	31	21 1/2	21 1/2
Central Aguirre ...	28	20	21
Cuban-American ...	5 3/8	3	3 3/8
Fajardo ...	33	22 1/2	25 1/2
Godchaux Class A ...	35	26	32 1/4
Godchaux Class B ...	17 1/2	10	15
Great Western ...	32	23 1/2	25 1/4
Holly ...	25 1/4	11 3/8	13
National Sugar Refining ...	18 1/4	10 3/8	11
South Porto Rico ...	28	16 1/2	16 3/8

## Dedicating Capitol Hill's New Cooling System



**L**AST week *finis* was written to one of the most ambitious air-conditioning jobs ever attempted, when officials of the York Ice Machinery Corp. traveled to Washington for the dedication of Capitol Hill's new cooling system. The job was begun in 1933, when the First Street Wing of the Senate Office Building was constructed. The refrigerating compressors built then were five times larger than any previously on the market, but these are dwarfed by the equipment used in the new hook-up (see diagram). Refrigerating capacity of the plant is equal to the melting each day of an ice block fifty feet square and as high as a seven-story building. Shown in the picture, after inspecting the power plant, are: L. Williams, York's engineer-in-chief; W. S. Shipley, York's president; Rep. John O'Connor; Speaker of the House William Bankhead; Rep. Harry Haines; David Lynn, Capitol architect; and Charles S. Leopold, consulting engineer in charge of the project.

Not only that, but the Sugar Act presumably was designed to afford producers a fair and stable price. It was thought to be so iron-clad that the United States market would be insulated from the shocks which have been so frequent in the world market. Actually, on an equivalent basis, raw sugar in this country recently has been selling at a discount of almost ½¢-a-lb. from world parity.

## Hit by Price Decline

The drop in sugar prices has hurt a lot of people. Refiners of cane sugar, who have absorbed big inventory losses, have been cutting or passing dividends. Beet sugar refiners and growers absorb the loss together, because they have contracts which provide that they split profits 50-50. The Cuban companies lose their tariff differential to the extent that prices in the United States fall below world parity. Cane sugar growers in the United States and our insular possessions lose to the extent that prices have fallen.

Gainer: the consumer, but he isn't pleased because he foots the bill for the tariff and the excise tax (the tariff is a direct bounty to domestic farmers, and the farmer also has most of the excise revenues passed back to him in the form of benefit payments).

Meanwhile, the old cut-throat competition among the refiners has cropped up again. Earlier this year they threw out the old four-payment plan and price guaranties. They hoped they





BEHIND THESE DOORS  
THERE SHOULD BE NO

*"Double Standard"*

Progressive management now provides adequate, sanitary washrooms for all . . .

**S**EVERAL TIMES a day, every man and woman in your plant or office visits the washroom. Here they come face to face with management's concern for their comfort and protection.

No other place so definitely reflects your attitude toward your employees. They are quick to notice a "Double Standard" in washrooms. That's why progressive management now builds good will by providing adequate washrooms for workers and executives alike.

Plenty of basins, toilets, soap, warm water and a generous supply of clean, sanitary Scott-Tissue Towels—these help make satisfied workers.

Scott-Tissue Towels are specially processed to make them pliant, clothlike and absorbent. One dries drier than several ordinary paper towels . . . that's why they go farther . . . cost you less per towel per user. By installing Scott-Tissue Towels you'll positively be cutting expenses. In addition, you'll provide a service for your employees vital in protecting health.

EXECUTIVES wishing to improve washroom conditions in their plants or offices will be interested in the Washroom Advisory Service of the Scott Paper Company. A request on your business letterhead will bring a Scott washroom engineer to your office without cost to you. He will gladly arrange to have a scientific survey made of your washroom facilities. Scott Paper Company, Chester, Pennsylvania.

*Thirsty Fibre  
Really Dries*

TRADE MARK  
REG. U. S. PAT. OFF.



**SCOTTISSUE TOWELS**

BY THE MAKERS OF SCOTTISSUE, WALDORF & SCOTTOWELS FOR HOMES

were rid of them. Now old habits are being resumed. The refiners will sell for delivery as far ahead as 90 days; they'll guarantee the buyer against decline in price; they'll allow purchasers to pay in four instalments; and there even is the suspicion that they might give the customary 2% for cash even to the four-payment buyer.

Two things are being blamed for the trouble in sugar—setting of a consumption quota which was very large by Sec. Wallace, and the decline in use which has come with the general drop in business and payrolls. The Secretary of Agriculture reduced quotas about 81,000 tons a few days ago, but they still add up to 6,780,566 tons. This figure is well above prospective consumption in 1938, so the cut has been barely sufficient to brace prices.

At the lows the other day, refiners in the East were getting only \$4.40 a cwt., less 2% for cash, or \$4.312. From that must be deducted the excise tax which comes to 53½¢ a cwt., and that brings the tax-free price down to \$3.777. Such a price isn't much above the all-time low of \$3.67½ in May, 1932.

Comparing recent New York quotations with world prices, raw sugar in New York has been around \$2.73 a cwt. The world price is 95¢, to which must be added 13¢ to bring sugar from Havana to New York, and the full duty of \$1.87½. That gives \$2.955—which is 22½¢ above the price in New York and means that the weight of quota sugars has pressed the domestic price 22½¢ a cwt. under world parity.

## MARKETING ANGLES

### Townsend repudiate *Space & Time's* 27 points . . . Cosmetic self-censorship . . . Council for Decency in Magazines . . . Unvirgin wool.

On June 6, *Space & Time*, gossip sheet of the advertising trade, announced that a week later, it would publish for the first time the 27 copy-testing points which formed the basis of the business of Townsend & Townsend, advertising evaluators. A. J. Townsend promptly phoned elder brother W. S., who was fishing down in Florida. What to do? W. S. suggested that until publication the stock reply of the Townsends and their clients to all inquiries should be, "No comment." After publication, he recommended, "I'll take vanilla, what'll you have?" However, following *Business Week's* report of the incident last week, W. S., back from Florida, vigorously denied that *Space & Time's* 27 points were the Townsend's 27 points. *Space & Time*, said he, had hit three of the Townsend points pretty squarely on the nose, swung wild at the other 24. *Space & Time* retorted that the points it published were at least those on which some of the Townsend clients were operating. *Business Week* takes no sides, disclaims any possible implication in its June 18 story that the points published by S&T are the points actually used in the Townsend system.

Wheeler-Lea echoes: The National Retail Dry Goods Association and the Toilet Goods Association, scheduled to ratify an agreement for self-censorship of all cosmetic ads to prevent violation of the Wheeler-Lea amendments to the Federal Trade Commission act, have moved their meeting date on to July. Dr. Morris Fishbein, editor of the *Journal of the American Medical Association*,

tells the Chicago Federated Advertising Club that attempts at self-regulation by the drug industry are "more to evade decent standards of ethical conduct in advertising than to protect the consumers of the products concerned." And *Drug Trade News* carries the ad this week of a licensed physician with long experience in the medical advertising field who is open to offers from houses who want their copy carefully scrutinized so as to avoid Wheeler-Lea violations.

In New York City last week representatives of such mighty organizations as the Greater New York Federation of Churches, Y.M.C.A., Catholic Club, Knights of Columbus, Board of Education, Free Synagogue, and the Society for the Suppression of Vice met and organized a Council for Decency in Magazines. A more or less inevitable outgrowth of the rash of magazine seizures by various local police officials, the council will "disapprove the publication and sale of such periodicals as are injurious to youth." When the council finds indecency in a magazine it will inform the publishers, distributors and dealers and request the elimination of the offensive parts. In the case of consistently flagrant publications the council will complain to the Commissioner of Licenses, and ask its affiliated organizations to "note in making their disapproval known and thereby help to arouse public opinion to curb their sale."

Among the Congressional leftovers was the Martin wool labeling bill, favorably reported by a House subcommittee to the full Interstate and Foreign Commerce Committee shortly before adjournment. But the bill isn't dead. This week Chairman Lea invited "constructive criticism" of H. R. 10884. The object of the bill is to require full and proper labeling of wool content; it would be administered by the FTC. Mr. Lea has pointed out that 50% of the fiber used by wool manufacturers is other than virgin wool, that failure to indicate the presence of reworked wool both deceives the customer and cuts the American wool producer's market.



TRIPLE THREAT—A.F.L. and C.I.O. pickets, marching side by side in front of A. & P.'s new Manhattan supermarket, have the backing of the neighborhood's small independent merchants, worried by the unit's competition.

## Picket A.&P. Super

Alliance of A.F.L., C.I.O., independent merchants welcomes first one to Manhattan.

On the ninth of this month the Great Atlantic & Pacific Tea Co. opened the first supermarket in Manhattan. This invasion of the most thickly populated island in the world by a type of distribution which has heretofore been confined mainly to the wide open spaces was not the world-shaking event it might appear to be, however, for the market had just nudged its way into the northernmost tip of the island, at 207th St. and Sherman Ave.

What did make the opening of the super newsworthy was the fact that it had hardly unlocked its doors to the public when pickets began to pound the pavement outside. Nor was it any ordinary picket line. It was a triple alliance of pickets in which Local 338 of the United Retail Workers, a C.I.O. affiliate, was sharing the sidewalk harmoniously with Local 623 of the Amalgamated Meat Cutters, an A.F. of L. affiliate, as well as with some of the local independent merchants.

### Grievances of Picket Line

The reason for the picket line wasn't hard to find: A. & P. keeps an open shop. That's one of the gripes of the unions. But more important than that, an A. & P. supermarket raises hob with the independent merchants in its vicinity. The independents, many of whom are signed up with the unions, are thick around 207th St., outnumbering chain units by about 10 to 1. It's the claim of the United Retail Employees that the supermarket on 207th St. has already put 30 grocery employees in that area out of work, by taking so much business away from the local merchants that they've been forced to let out their help. The union holds that A.&P. ought to re-employ these workers it forces out of their jobs. For its part A.&P. points out that although there are no grocery clerks in its self-service super, 17 men are employed there, whereas the regulation store which it closed to make room for the giant market employed only seven.

### Slow Day All Around

Trade was something less than brisk in the super; perhaps a couple of dozen people ambled up and down the well-stocked aisles. Out front the pickets droned, "Don't go in here. Go where you get some service." To the casual observer it might have looked as if the pickets could claim credit for A.&P.'s slow showing, but down on the corner the Eagle Nest Meat Market was having a slow day, too, in spite of the fact that a shiny new sign in the window proclaimed that this was a union shop.

**FLY ASH CORRECTION**

**INTERNATIONAL RECOGNITION**

The superiority of Buell's Van Tongeren system is today recognized throughout the world's leading industrial countries. More than 400 fly ash installations are demonstrating the unique advantages of that system in actual service.

If you have a fly ash problem, if you want to be sure of high-efficiency, low-cost service, you will find your best approach to the subject in our new Booklet A80—free to any managing executive or operating engineer.

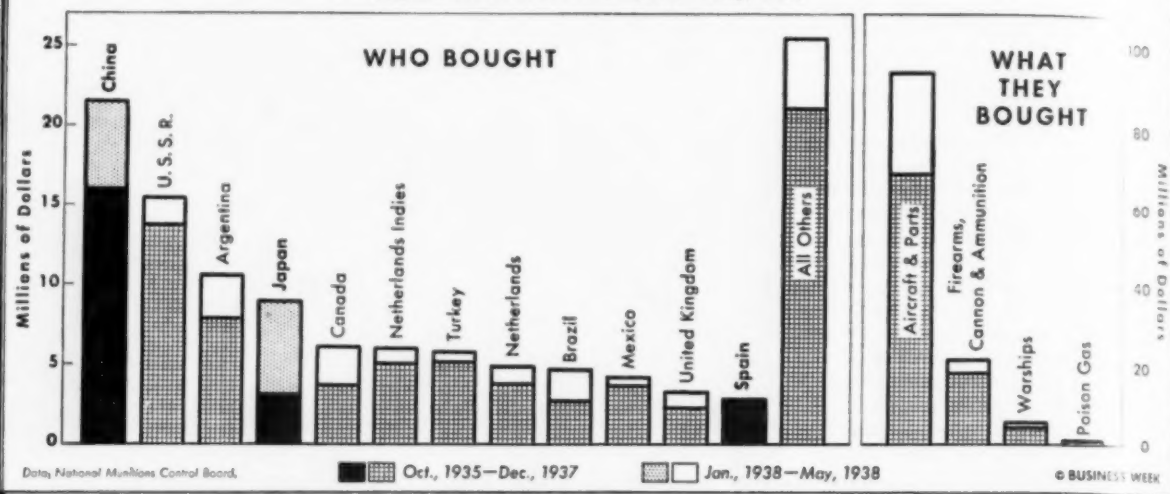
**BUELL ENGINEERING COMPANY INC**  
60 Wall Tower Building, New York  
Sales Offices in Principal Cities

**buell**  
DUST COLLECTORS



## AMERICAN SALES OF WAR MATERIALS

(Export Licenses Issued . . Oct., 1935 — May, 1938)



**BUYING FOR WAR**—American manufacturers must get a government license for all shipments abroad of airplanes and parts, guns and munitions, and battleships or parts. The record,

charted here, shows how sales to China and Japan are still soaring, but direct sales to Spain have ceased because of our embargo. Biggest recent sales have been to the Soviet Union.

## U. S. Radio's Chance

**Over in England there's a new and interesting situation, due to trade disputes.**

LONDON (*Business Week Bureau*)—If American radio manufacturers will meet the special requirements of the British consumer, a large market is likely to open up here soon for their sets, in spite of the 20% tariff they must hurdle.

For a good many years, radio wholesalers in Britain have been closely organized to protect themselves from big American imports and from the devastating price cutting policies of little manufacturers at home. One of the terms which British manufacturers succeeded in having written into the pact with the wholesalers was a provision that they handle only sets made by British firms appearing on an agreed list, which turned out to be a long one containing the names of practically all British manufacturers of repute.

The scheme broke down only recently when a few manufacturers started selling direct to the retailer. Wholesalers, watching their business dwindle, recently terminated the old accord and in the scramble to rebuild their business are willing to handle foreign sets.

Another struggle is going on within the ranks of the British manufacturers. After the wholesalers had denounced the fair trade agreement, the Wholesalers' Federation was approached by a group of manufacturers who announced that they would henceforth supply no wholesale houses

except those which would only handle sets equipped with British tubes supplied by the British Valve (tube) Manufacturers' Association.

This pressure was directed not only against import competition but also against non-members of the Valve Manufacturers' Association.

These two developments apparently throw wide open the British market to aggressive American radio manufacturers who are willing to study the peculiar demands of the British consumer, one of which is that a radio set be a piece of furniture as well as an instrument for receiving broadcast programs.

A market survey indicates that there is a demand in Britain for good short wave sets in the moderate price range. British sets at present are unduly expensive.

The British market absorbs annually about 2,500,000 radio sets, 2,000,000 of which are replacements. The total value of the British radio market is estimated at \$125,000,000 a year. Importers have been supplying less than \$12,000,000.

## Six Aviation Rulers

**Five members of commission, under new law. One administrator—and Roosevelt.**

WASHINGTON (*Business Week Bureau*)—An executive order in 1918 authorized the carriage of air mail by army airplanes. Then followed a series of air mail and air commerce acts by Congress. These laws solved growing aviation problems piece by piece, di-

viding authority between the Post Office, the Department of Commerce, the Interstate Commerce Commission, the Department of Agriculture, and intermittent committees. The net result was overlapping and confusion which burdened the operators, and which was made by politicians to appear responsible for accidents. Thus, before it closed, Congress passed the McCarran-Lea bill, which, in four or five years of study, has been framed to lay all responsibility at the door of a single independent Civil Aeronautics Authority.

### How Air Authority Is Organized

This law sets up a commission of five men, which will study the whole field of civil aeronautics, make rules within the act, and set rates on air mail, express, and passenger service. Attached to the authority is a three-man safety board, authorized to use its regulatory power to prevent accidents and to study accidents that happen despite regulations. Over all is an administrator who functions as an executive. The commission members are appointed by the President, confirmed by the Senate, and cannot be fired by the President unless he shows cause. The administrator is directly responsible to the President, and can be dismissed for any reason or none.

Thus it is not quite accurate to say that the aviation commission is "independent." For every move the administrator makes will be preceded by a thought, "Will this please the boss?" But the law and the rulings he administers will be of independent origin like those of the Interstate

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Commerce Commission. Actually, this new setup is a New Deal experiment in independent offices: an effort to separate the legislative and executive functions of single authorities.

You can expect to hear more about government reorganization next year, and the aviation commission will be brought forward as exhibit number one. And to make it an effective exhibit, Mr. Roosevelt will try to find appointees who are colorful headline makers. He had a very happy experience with this tactic in starring Joseph Kennedy in the Securities and Exchange Commission and the Maritime Commission.

### Agree on Compromise

James Roosevelt straw-bossed the air show through the session. C. M. Hester of the Treasury Department and Rep. Clarence Lea of California did the leg work for Jimmy. Sen. Pat McCarran battled for a degree of independence for the board, most of the time alone; for the airline operators felt that if they asked for too much they might get nothing this year. As usual, both sides won in a compromise. Most parties to the controversy, and most observers, say it's a good law that will work for a few years.

### Industry's War Drill

For nearly 20 years the army has sought certain authority. Now it's got it.

WASHINGTON (*Business Week Bureau*)—Ever since the World War, the War Department, encouraged by the metal-working industry, has tried to persuade Congress to depart a mite from the bidding system and authorize "educational orders," which would necessarily be negotiated.

The Roosevelt Administration, with its sharp foreign policy, its effort to "quarantine" certain fighting countries, its informal naval understanding with Britain, and its big armament program, has supported the "educational orders" idea. Congress, in the last minutes of its recent session, passed the Sheppard bill authorizing appropriation of \$2,000,000 a year for five years. The money was voted in the second deficiency bill.

### Practice-Orders Idea

"Educational orders" mean orders given by ordnance, aviation, and other arms of service for special types of equipment, of a strictly non-commercial nature, to acquaint manufacturers with peculiar fabrication methods. The theory is that the War Department must either build up a physical supply of instruments, weapons, and

# DOUGLAS Wings

WILL ADD DAYS TO  
YOUR VACATION



WING your way to vacationland  
aboard a Douglas Airliner. Almost  
any playground in the nation is no  
more than an overnight flight. De-  
lightful hours instead of tedious  
days enroute mean just that much  
more time THERE. Airline fares  
were never lower and all-expense  
air cruises are featured. Douglas  
Aircraft Co., Inc., Santa Monica.

### MAKE RESERVATIONS FOR YOUR VACATION TRIP ON THESE DOUGLAS-EQUIPPED AIRLINES

**NORTH AMERICA:** American Airlines Inc. . . Braniff Airways . . Eastern Air Lines . . Pan American Airways . . T.W.A. . . United Air Lines . . Western Air Express . . Wilmington-Catolina Airline

**SOUTH AMERICA:** Pan American Airways . . Pan American Grace Airways  
**AUSTRALIA:** Airlines of Australia . . Australian National Airways

**EUROPE:** A. B. Aerotransport, Sweden . . Air France, France . . Avio Linee Italiane, Italy . . K.L.M., Netherlands . . C.L.S., Czechoslovakia . . L.A.P.E., Spain . . L.A.R.E.S., Roumania . . LOT, Poland . . Swissair, Switzerland  
**ORIENT:** China Nat'l Aviation Corp. . . K.N.I.L.M. in Netherlands Indies . . Japan Air Transport

## "Explaining Us"

We have a kind of advertising primer for the use of business men.

It gives some interesting facts about half a dozen problems this agency has worked on. In these you may see some parallel to your business.

Write...or use the coupon below...for a copy of "Explaining Us."

**Newell-Emmett  
COMPANY**

*Advertising Counsel*

40 EAST 34th ST., NEW YORK

Please send a copy of your book  
"Explaining Us."

NAME.....

ADDRESS.....

## MOVING UP

For the first five months of 1938, *Business Week* ranks 6th among all magazines\* in total advertising pages.

1. Saturday Evening Post
2. Time
3. New Yorker
4. Vogue
5. Colliers
6. **BUSINESS WEEK**
7. Harpers Bazaar
8. Good Housekeeping
9. Motor Boating
10. Popular Mechanics
11. Fortune
12. Yachting

\*Measured by Printers' Ink

*See*  
**WOODSTOCK**  
TYPEWRITERS

ammunition, or equip and train arsenals and private plants in peace time to produce quickly in time of war. Congress decided the practice-orders plan was best and cheapest.

Of course not everybody agrees with this program as heartily as do the machinery people. Dissenters say the department's blueprint-and-dummy-contract mobilization hookup with 10,000 manufacturers of every conceivable munition of war is adequate. Educational orders, they say, are a lobby-inspired military boondoggle.

## 2,000 Business Juniors Meet

Their national chamber of commerce holds annual convention at Oakland, Calif., and what once was just an idea is now a going and growing concern.

Two thousand young business men—inquisitive, enthusiastic, and somewhat impatient—gathered in Oakland, Calif., last week at a convention of the United States Junior Chamber of Commerce.

Since they were all under 36 years of age, they managed to have a swell time, despite the weightiness of their concern with problems of business and government and despite the fact that they had to listen to a lot of their elders describe with uneasy and querulous candor the dismal prospects for their future.

The juniors weren't too much impressed by these jeremiads. They discounted them with that ebullient skepticism which is part of the standard equipment of youth and which in this particular instance was fortified by effusive reference to the accomplishments of such youngsters as Washington, Jefferson, and Hamilton. Indeed, an optimistic "Let's-Rebuild-America" theme was the key-note of the convention, sounded in the opening address by President Roswell P. Rosengren, 34 year old Buffalo attorney.

### Organization Forges Ahead

Regardless of its other accomplishments, the convention pretty well demonstrated that the U.S.J.C.C. is about over its growing pains. A voluntary federation of about 400 of the 600 local junior chambers, the national organization was founded in 1920, but didn't really get under way until 1930. Henry Geissenbier is credited with establishing the first local 24 years ago in St. Louis, and six years later, after several other locals had been organized, the St. Louisans launched the first plans for a national federation. The plans didn't materialize, largely because various veterans' groups regarded the projected U.S.J.C.C. as a threat to their own national unity.

In addition to the munitions orders, the manufacturers will get the loan of government-owned tools, jigs, dies and fixtures, presumably for use only on war production. The law provides that no more than one order for the same or similar article shall go to one firm in three consecutive years.

Army Ordnance, down by the steaming Potomac, is working on allocation of funds between the arms of service. Air corps, anti-aircraft, tanks, small arms, and special ammunition will draw heavily.



Underwood & Underwood

ROSSELL PERRY ROSENGREN

The jeremiads failed to impress him and his fellows.

That obstacle has been removed by time as the veterans have progressed beyond the 36-year age limit, and the early opposition of some of the senior chambers of commerce has melted in the face of the juniors' enterprising enthusiasm.

Aside from the fact that any junior chamber must have the blessing of the local seniors before it is admitted into the national body, the U.S.J.C.C. and the United States Chamber of Commerce have no official connection. In most cities, however, the senior organization plays the role of father, counselor, and friend. Cognizant of the fact that the junior chambers are excellent "feeders" for the older body, many locals of the national chamber supply funds for the juniors to carry on their activities.

By and large, those activities chiefly involve crusades for civic improvement—the review of local and state legislation, highway safety drives, study of



juvenile delinquency problems, and campaigns for community welfare. Last year, the Tampa boys took a leading part in the campaign for honest elections. The Portland, Ore., group claims credit for the fact that returns on current and delinquent taxes in that city this year reached 100% of the tax levy for the first time in several years, after a vigorous campaign of tax education. Los Angeles juniors have taken over from the senior chamber most of its purely ballyhoo activities, and sponsor a weekly radio program to attract tourists and residents (with money). The San Francisco young men, who have been in and out of the national organization twice and affiliated again last week, took a leading part in both the selection and development of the Treasure Island site for the 1939 fair.

### Strong in Smaller Cities

The junior groups probably are most successful in the smaller cities where they aren't submerged in a multitude of other organizations, and especially in the South, Middle West, and West, where the impulse to join for social and business advancement is strong.

The national setup is still a bit unsteady, chiefly because of the difficulty of uniting and servicing, with limited funds, 400 affiliated units with a basic membership of some 60,000 young and active men in 42 states.

In President Rosengren's administration, just ended, the contact job was made possible by the fact that business men of Buffalo provided his traveling expenses. Aside from gifts, the only source of funds is the 50 cent tax paid annually by each member of a local.

### Scrutinize Gifts Carefully

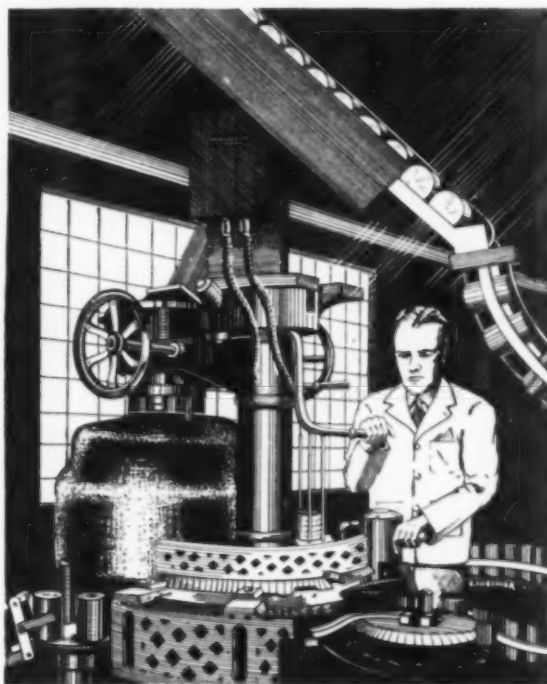
Even gifts are eyed with suspicion and Mr. Rosengren, in his annual report, urged "careful scrutiny of any proposal carrying a donation of any size; a search for hidden motives which might otherwise come to the surface later to our utter embarrassment." Great emphasis is laid by spokesmen on the organization's non-political non-sectarian policies.

A Washington representative (Fred B. Linton) is maintained on part time; a secretary in St. Louis (Tom Reid) on full time. All other officers of the organization serve without pay. An official organ, *Young Executive*, is published from Chicago.

The organization is run by a board of directors including the president, 10 regional vice-presidents, and 30 national directors (this year all but eight of them live west of Chicago).

The new president, elected at the convention, is Phillip C. Ebeling, 33 years old, a lawyer of Dayton, O.

# FOOD INDUSTRIES



## THE PROTECTED PAY ENVELOPE



MODERN AMERICA dines well . . . largely because great spotless factories, with every scientific production aid at their command, can put the very cream of the land's bounty on even the humblest kitchen shelves.

Harmonious employee relations mean much to food manufacturers who take pride in the efficiency and health of their organizations . . . whose reputation depends upon never failing service to the public. That is why leading companies in this field consistently use modern group insurance . . . and why, in this as in other fields, the Connecticut General "Protected Pay Envelope" plan, coordinating modern group insurance forms to provide CONTINUITY OF INCOME in case of death, accident, sickness and old age, deserves thorough investigation.

We shall be glad to send you without cost or obligation "The Protected Pay Envelope" booklet that covers the ground fully from both the employer's and employee's point of view. Write us.

★ ★ ★

"At the fourth anniversary of our group insurance plan it is satisfying to observe how well the objectives of the plan have been met.

"We feel that the interests of this company have been helped in the matter of personnel relationships, and this objective has been furthered through the intelligent and prompt simplicity with which claims have been handled, and the reasonable and interested attitude of the insurance company in its contacts with our people."

SNIDER PACKING CORPORATION . . . A Connecticut General Group policyholder

## Connecticut General

LIFE INSURANCE COMPANY

Hartford, Conn.

Life, accident, sickness insurance, annuities and all group lines.

**GIFT for You!**

a full carton of

**INITIALED  
PACKET  
MATCHES**

Is your firm using paper or cardboard boxes? Or are you considering any change in your packaging? To executives of such firms we will be happy to mail, without charge or obligation, a carton of matches with your own initial on them.

The reason?—Just to place in your hands a sturdy, good-looking Metal Edge box . . . Just on the chance that when you see it you'll want to know more about this Metal Edge packaging method that's used by large and small firms in 77 industries.

Will you take us up on this? Please write on your business letter-head—indicate initial desired.

**METAL EDGE***Strongest Paper Box*

338 N. 12th St. Philadelphia, Pa.

**BRUTAL to fire  
yet harmless to men  
or materials**

It will kill a blaze in a huge lacquer dip-tank in the flash of a few seconds. Yet it will leave the paint clear, clean. It will snuff out fire in a generator without damaging windings.

LUX carbon dioxide snow-and-gas is gentle to costly equipment. Yet it is the fastest known extinguishing agent, brutal to fire.

Write for new brochure, "Lux Makes the Difference."

**Walter Kidde & Company**  
625 West Street Bloomfield, N. J.

**NEW PRODUCTS**

New processes . . . New designs . . . New applications  
of old materials . . . New twists on old ideas . . .

About a year ago Vacuum Cleaner Corp. of America, Wissahickon Ave. at Juniata St., Philadelphia, brought out the Cordomatic Vacuum Cleaner with an automatic electric cord take-up reel built right into its handle to work very much like a self-reeling tape measure. This spring, the corporation made the Cordomatic reel available to competitive vacuum cleaner manufacturers, and now it is prepared to help still other electrical appliance manufacturers in adapting it to washing machines or lamps or microphones or electric irons or what-have-you. The reel can also be counterbalanced so that it will hold soldering irons, electric drills and other industrial appliances within easy reach of operators.

After years of experimenting, Meyer-cord Co., 108 N. Wells St., Chicago, is bringing out Elasti-Cal multicolor decalcomanias so stretchable that they may be applied to rubber goods ranging from garden hose to toy balloons.

Word has been going around that Fruehauf Trailer Co., Detroit, is waterproofing and termite-proofing all wooden parts used in the construction of its trailers. On investigation it is discovered that the parts are submerged for 20 minutes in a solution of color-

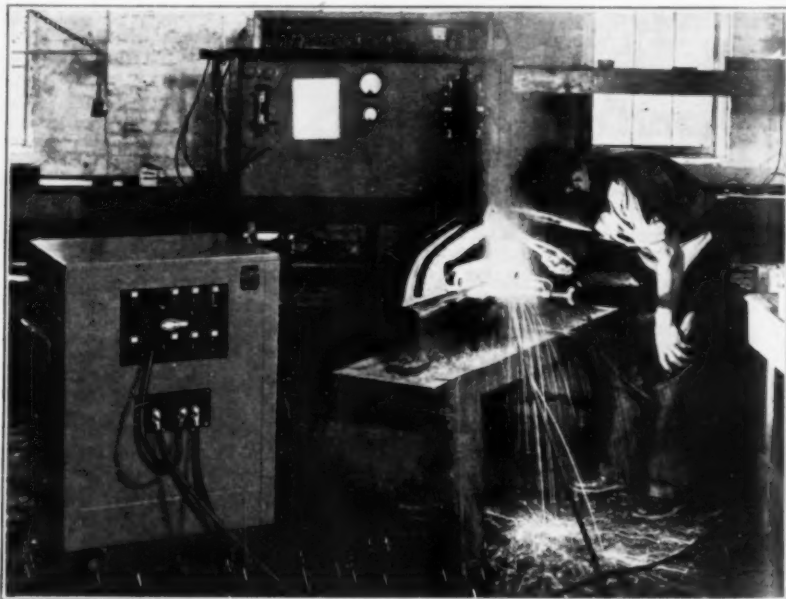
less, odorless Benite, produced by Chemiseal Co., 21732 Grand River Ave., Detroit. Penetration is swift and thorough. When the solvent has evaporated, each cell in the wood structure is sealed with a waxlike protective coating which does not interfere with subsequent finishing.

Like a little papoose on its Indian mother's back, the new Shaverlite clings to almost any standard type of electric shaver. As designed by Mer-



chandisers, Inc., 250 Park Ave., New York, it plugs in quickly between shaver and connecting cord, giving a bright light for guidance through facial undergrowth.

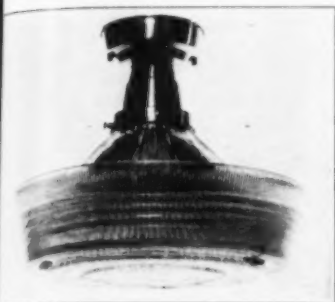
Synthetic plastic sheets have been laminated out of paper or cloth almost since the birth of the plastics



**DIALLESS WELDER**—Before striking his arc with the new Commonwealth A.C. Electric Arc Welder, the operator simply plugs a large-handled "heat selector" into one of 10 slots on the control panel. Each slot gives a definite amperage ranging from 25 to 300 amp. As designed by Commonwealth Mfg. Corp., 4208 Davis Lane, Cincinnati, the outfit contains a large in-built electric fan which whirls into operation the minute power goes on, bathing transformer and reactance unit in cool air.

industry. Now comes Synthane Corp., Pottsville, Pa., with laminated plastic materials having woven-glass fabric as a base to increase their resistance to corrosive liquids.

Utilizing both the reflective and refractive powers of prisms, the new Lucerite of Holophane Co., Inc.,



42 Madison Ave., New York, allows great concentration of light on working areas plus adequate ceiling illumination. If desired, it may be equipped on special order with "Didyum Sunrise Pink Glass" which casts a warm synthetic daylight wherever employed.

When hot days come and perspiration tends to flow into eyes and goggles, industrial workers will appreciate the newly improved Drybrow Sweat Band. American Allsafe Co., Inc., 210 Frank-



lin St., Buffalo, makes it out of DuPont cellulose sponge which will absorb twenty times its weight in moisture. When the band needs washing, boiling water or live steam will do the trick.

Some while back, Mellon Institute developed a tile compounded of abrasive aggregates, copper sand, silica, granite, marble, and a new copper cement with unusual strength and germicidal characteristics. Now the Belmont Products Co., Toledo, is manufacturing the tile in 20 colors and in sizes from 6-in. squares up to 162 sq. in., and in special non-slip stair treads. Most unusual property is that the fungus causing "athlete's foot" cannot survive contact with the material.

**FREE: 12,000 MILES** Here's one of the almost-magic stories connected with Durez phenolic resins. Brake linings used by a New England bus company formerly averaged only 16,000 miles of service. Then the company impregnated their brake linings with a Durez resin,



found they averaged 28,000 miles... a 12,000 mile bonus of service. This is typical of the extra toughness Durez resin impregnation gives fabrics, woodpulp, cork, etc.

## IT BENDS IN A COMPLETE CIRCLE

This desk is made of a brand new construction material. Called "Robertson Bonded Metal", it consists of a thin wood veneer bonded by Durez resin to a steel backing. This bond is so strong that the material can be bent

into a complete circle without damage. (Figure the enormous stress the bond must undergo when this is done—or even the stress at the edge of the desk where the material makes a narrow radius quarter-turn... both testimonials to the extraordinary strength of Durez bonding.)



## STORY BEHIND THE GLAMOUR

The wearability and crisp, clear colors of today's rayon dresses are pretty much taken for granted by Mrs. Buyer 1938. What she doesn't know is that here, too, Durez resins are playing an important role. In the rayon industry many metal parts exposed to chemicals are covered with a thin coating of Durez resin, which not only prevents corrosion of the metal and consequent discoloration of the thread, but also actually *lengthens* the useful life of the metal parts.

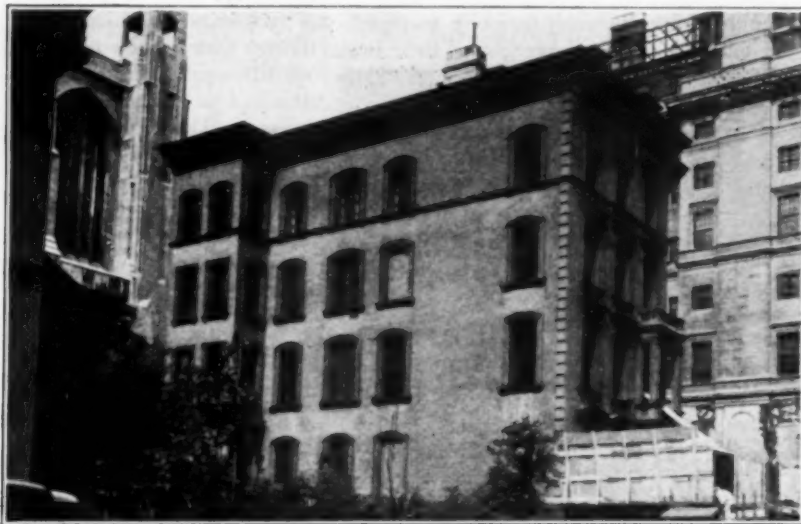


If you have a problem in waterproofing... acid proofing... bonding... insulation—if you want to give your product extra strength, durability, resistance to heat, solvents, chemicals, perspiration, abrasion—you may have a job for a Durez phenolic resin. These resins are supplied in solid, solution or colloidal form. Most of them require baking at 250°F. If you are interested in a possible application, we'll be glad to work with you, give you the benefit of our experience. When writing, please give as much information as possible. General Plastics Inc., 76 Walck Road, North Tonawanda, New York.

# DUREZ PLASTICS



## Old Rockefeller Home Makes Way for Tomorrow



THE middle of last week a gang of wreckers moved into 4 West 54th Street, New York, and began demolition of an old red brick and brownstone residence. For New Yorkers, the event meant more than the passing of one of the last of the old brownstones, for the residence was formerly that of

John D. Rockefeller, once the world's most famous industrialist. The picture at the left shows the old home as it appeared after wreckers had gutted the interior and were ready to begin pulling down the walls. Right, workers lug out a tub in which John D. himself may have dunked on many a Saturday night



Cashline, International

## LABOR ANGLES

**Unions' new "NRA" drive . . . 1937 vs. 1919 . . .  
Can banks be unionized? . . . Too much seniority  
. . . Standard Oil's (N. J.) \$29,000,000 pool.**

On the heels of the wage-hour act, citizens in some sections will note a "new NRA" enthusiasm drive. Labor unions, particularly those in C.I.O., are planning to use the wage-hour sectional adjustments as a wedge to loosen up hitherto non-union areas, particularly in the South. Best coordinated drive probably will be that of the Textile Workers Organizing Committee, whose chairman, Sidney Hillman, did more than any other man to push the wage-hour legislation through Congress. Hillman's plans call for a new Washington office, and an enlarged staff to work up enthusiasm.

Following Sec. Perkins' remarks about U. S. labor conditions, in her recent address at Geneva, argument is rising again about what happened in 1937. One set of debaters says that 1937 represented a new high in labor trouble for America; opponents of this view say that it isn't true. Actually, according to the Bureau of Labor Statistics, both sides are right: 1937, with 4,740 strikes, breaks the record of any previous year, but 1919 still holds the record for number of workers involved in strikes. During that year, it is pointed out, 4,160,000 employees went on strike; last year, 1,861,000.

Bank employees are watching a National Labor Relations case in California to see how far the NLRB will extend its jurisdiction in this field. On June 27, hearings begin in Los Angeles in the Bank of America case, wherein a C.I.O. union alleges unfair discrimination. The bank has 491 branches, and is fourth largest among the country's 16,000 banks.

Calling attention to "the diversity of practices and judgments" on seniority, not only among employers but among unions, the Princeton University industrial relations section has just completed a thorough survey of this subject. The report indicates that seniority provisions will play an increasingly important part in affecting lay-offs, reemployment, and promotions, and sounds a warning against the growth of seniority plans which put promotion on a straight length-of-service basis without letting merit play its proper part. The survey report costs 50¢, can be had by writing Prof. J. Douglas Brown of Princeton.

The famous "Thrifty Plan" set up by Standard Oil (N. J.) in January, 1936, and arranged to reach full growth in two and one-half years, is nearly at

the end of that period. Some 30,000 employees have been depositing payments regularly in the joint fund, in which the company also deposits money (BW—Sep 8 '36, p. 28). About \$29,620,000 went into the pool, of which employees contributed \$12,530,000 and the company \$17,090,000. About \$11,565,000 has been used from the fund for group annuities, the rest remaining for purchase of stock or for cash withdrawal by employees after July 1.

One of the business groups which are all primed to take industry-wide action on the basis of the new wage-hour bill is the National Dress Manufacturers' Association, which will seek a convention of management and labor to fix a 40-hour maximum and a 40-cent minimum in all non-union shops. The association has asked the International Ladies Garment Workers Union to join in this endeavor, pointing out that a resultant \$16 weekly standard would be below the level of unionized shops but far above the 60-hour \$8-per-week scale of some non-union plants.

The Ford case, one of the "Big Five" which NLRB wants to review (others are Republic Steel, Inland Steel, Douglas Aircraft, and H. J. Heinz Co.) is hung up for the summer. The Sixth Circuit Court of Appeals remanded the case to the board last week, but also granted a stay of proceedings pending an appeal by the company to the Supreme Court. The higher court is on vacation, cannot pass on the remand ruling before it reconvenes next fall.

## Reclassify Bank Loans

Treasury works out uniform standards for bank examiners, will redefine "slow" loan.

From the United States Treasury to the Federal Reserve Building is just a nice constitutional walking distance. But as far as banking and credit philosophy is concerned Sec. Morgenthau of the Treasury and Chairman Eccles of the Reserve are miles apart.

Declared Eccles, in a recent letter to Sen. Vandenberg: "One reason why bank credit is not flowing adequately into productive business channels is because the banks are under too severe restrictions in their lending and investing operations."

Said Morgenthau, in an interview on May 5: "I do not think we should place the entire blame on the bank examiners. It is a good 'out' for the bankers when their best friend asks to borrow more than he is entitled to."

And that's where the government's two "big money" men stand today. Eccles wants a new code of bank supervision—to expedite the flow of money into business channels. Morgenthau contends that a bank's function is not

## "Small Business" Bonds

For weeks now, the Federal Deposit Insurance Corp., the Federal Reserve, the National Association of Supervisors of State Banks, the Comptroller of the Currency, and the U. S. Treasury have constituted themselves as an unofficial "Bureau of Banking Standards"—but only one definite stimulus to expansion of bank credit is likely to result.

The Comptroller of the Currency is expected to grant national banks permission to buy bonds of local corporations, even if the issues are not listed on major investment markets.

One of the Comptroller's requirements today is that eligible bonds must be "marketable." But a bond, to be marketable, generally must be listed on an exchange, which means heavy expense in registering with the Securities & Exchange Commission. And that has deterred some small, local companies from floating new issues. Now, however, if the Comptroller modifies his requirements on "marketability," banks again can become buyers of small, local issues—thus expanding the country's credit potential and easing the way for banking funds to flow into "small business" channels.

## The Light that Didn't Fail

• A worried official of a Texas town found that a main engine in the municipal power and light plant was giving trouble. He feared a community in darkness!

Efforts to find the cause met no success. Some one suggested that he insure the engine with Hartford Steam Boiler and get the benefit of that company's exact diagnosis. Without loss of time, a Hartford engineer arrived . . . rolled up his sleeves . . . dug in . . . unearthed the conditions, which, if undiscovered, would have turned out a town's lights.

*But the light never failed in that locality.* Streets, homes, offices continued in brightness, as usual! Power carried on.

To this pioneer in engineering insurance, no power plant safety problem is strange. 72 years of dealing solely with engineering insurance and safety has made Hartford the choice for almost half of the power plant insurance carried in the United States.

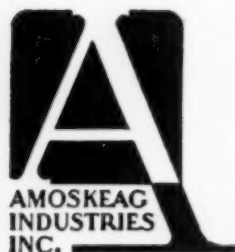
Its unique home-office engineering staff, its feedwater laboratory, its inspection force . . . all work together as one on the single task of making power safer. Ask your agent or broker how Hartford Steam Boiler can keep light going, power flowing, in your plant!



**The HARTFORD STEAM  
BOILER INSPECTION AND  
INSURANCE COMPANY**

HARTFORD

CONNECTICUT



## More than a SYMBOL!

To the over 76,000 citizens of Manchester, New Hampshire, the now-famous Amoskeag Industries, Inc., trade-mark is more than a symbol—it is an expression of a great community enterprise that did much to rebuild an important New England manufacturing center after apparent disaster.

To over 42 business organizations — manufacturers and service establishments — the trade-mark means low cost power, more than adequate manufacturing space of every conceivable size and type, healthy, happy employees, accessibility to raw materials and markets.

You, too, can enjoy the satisfaction offered by manufacturing in Amoskeag Industries, Inc., property — in spaces from 2,000 to over 500,000 square feet. For sale or lease on terms set to build payrolls.

Your booklet outlining Amoskeag property and advantages is ready.

Write for

"Your Share of the FIVE MILLION"



to make loans glibly, but to protect depositors. And Morgenthau has substantial backing—the Federal Deposit Insurance Corp., the Comptroller of the Currency, and the National Association of Supervisors of State Banks.

In a nutshell, Eccles wants bank examiners to introduce a new loan classification for intermediate capital accommodations to business, and his opponents say that it won't make a bit of difference to a banker whether a loan is classified as "slow" or as "intermediate," when it comes to making additional loans.

Bank examiners point out that only those loans are classified which are under suspicion. Right now, there are three classifications: (1) "slow," meaning any type of loan which should be watched carefully (and it doesn't refer specifically to a long-term loan, or to a note which has been recurrently renewed); (2) "doubtful," a loan on which some loss will be ultimately sustained and against which a partial reserve is set up; (3) "loss," an advance on which recoupment is unlikely and against which a full reserve is established. Good loans are not classified.

### Aims at Standardization

As a means of establishing uniform standards for bank examiners, the Treasury, at the behest of President Roosevelt, has attempted to reformulate loan definitions for bank supervisors and standardize them so that bank examiners, under different jurisdictions, can classify the same loan in the same way. The chief impending change is a new name for the "slow loan" classification.

accompanied by a definition of what constitutes a "slow" loan. One of the chief objections to the term "slow" is that it is a misnomer. Loans are often put into the "slow" category because of the kind of loan they are rather than because of their slowness; it is pretty safe to say that a loan whose quality is sufficiently suspect to require classification is slow.

Reclassification and redefinition of suspect loans will not only permit different examiners to talk the same language and thus eliminate examination duplications, but will contribute to the banker's peace of mind by assuring greater uniformity.

### Four Groups of Examiners

The four examining agencies and the types of banks which they supervise are:

State Bank Supervisors—all state banks.

Federal Reserve—all state member banks.

Comptroller of Currency—all national banks.

Federal Deposit Insurance Corp.—(1) insured state banks, not members of the Federal Reserve; (2) with the consent of the Comptroller of the Currency, national banks; and (3) with the consent of the Federal Reserve, state member banks.

The only banks not subject to more than one examination are state banks, which are members of neither the FDIC nor the Federal Reserve. Out of the 14,684 commercial banks in the country, there are only 933 "one-examination" banks.

## New Bankruptcy Law—and SEC

**Old statute is thoroughly revised, but the biggest punch is in the corporate reorganization provision. Securities commission pretty well satisfied.**

"MEASURES should be taken to place the control of reorganizations with bona fide security holders . . . Control of reorganizations should be denied to persons whose sole claim is derived from a position in the management or from banking associations. . . . It is intolerable that they [those in charge of reorganizations] or their lawyers should possess dual or multiple interests. . . . The use of deposit agreements as means of preserving or obtaining arbitrary and exclusive control over security holders should not be permitted. The virtual monopoly on lists of security holders . . . should be broken."

Thus, a little more than a year ago, the Securities and Exchange Commission reported on its three-year investigation of "emoluments of control" (BW—May 15 '37, p. 68). This week,

bankers and lawyers took a good look at one of the results of that report—the new National Bankruptcy Law, passed at the end of the recent Congressional session.

### Expects Reorganization Work

Only a few lawyers and judges are really familiar with the contents of the new law. Most business men hope they will remain forever in ignorance, but many unfortunates will find out soon enough. With a depression still bearing down, the SEC anticipates a heap of work on corporate reorganizations.

The new law relates to business failures such as those that Dun & Bradstreet have recorded ever since the previous act was passed in 1898. It constitutes the first over-all revision of the law since that time. The object, of



course, is to bring the old statute up to date and increase efficiency in administration. Old definitions are revamped, new definitions are added. The statement of the "acts of bankruptcy" is straightened out in order to eliminate present overlapping and to cover and curb equity receiverships. Provisions relative to the jurisdiction of bankruptcy courts are clarified, and procedural methods improved. Criminal provisions are tightened up; others are designed to minimize evasions by bankruptcy, also to grant new privileges in favor of bankrupts, render discharge provisions more effective, and provide a more workable partnership section.

### Law Covers "Arrangements"

New chapters are added covering compositions (now called "arrangements") and extensions of the obligations of debtors; real estate compositions by unincorporated persons; and setting up a brand-new procedure for settlement of the debts of wage earners whose total income doesn't exceed \$3,600 a year.

The most controversial feature of the new law and the tail that wags the dog is Chapter X, covering corporate reorganizations. This projects SEC into the picture. There was violent disagreement over discarding Section 77b, enacted by Congress only four years ago in the depths of the depression. Opponents of the new chapter, which is based on the SEC's own recommendations, claimed that 77b had not been given a chance to work. Sponsors of the new procedure claimed that 77b had thrust an intolerable burden on the courts, and they enumerate abuses that 77b had failed to correct.

### Courts Need Assistance

It was SEC's investigation of such reorganizations as Paramount Publix, McLellan Stores, and R. Hoe & Co. that first brought William O. Douglas, SEC's present chairman, to Washington in 1934. For years the conviction had been ripening that the courts needed assistance in the administration of the bankruptcy law. SEC's investigation was preceded by an extensive inquiry by Thomas D. Thatcher, both as federal district judge in New York and later as solicitor general in Hoover's Administration. Insofar as reorganizations within the jurisdiction of bankruptcy courts are concerned, the new law brings SEC to the aid of the judges on the bench.

It requires appointment, in every case involving \$250,000 or more, of a disinterested trustee. Thus the debtor will no longer be retained in possession. The trustees will serve as the focal point for formulation and negotiation of a reorganization plan, instead of leaving it to the management and the investment bankers, "since those per-

sons, "the House Judiciary Committee remarked in reporting the bill, "too often have interests conflicting with those of the investors."

After a hearing on the trustee's plan, the court may refer it to the SEC for an advisory report, and is required to do so in all cases where the indebtedness is over \$3,000,000. Not until the plan is provisionally approved by the court is it submitted to the stockholders and creditors for acceptance. After acceptance by the requisite majorities, the court holds a hearing on confirmation in which all parties in interest again may present objections.

The law prohibits any interference with the right of employees, on property under the court's jurisdiction, to join a union or to refuse to join or remain members of a company union. It becomes the court's duty to terminate any agreement interfering with this right. Chapter X, on reorganization, applies to all petitions filed on and after the effective date of the law, which is three months from date of approval by the President.

The law gives SEC no actual veto power over reorganization plans. There is no actual division of authority between the courts and the SEC, but opponents of SEC's participation contend that a report by SEC will have great weight with an overworked judge and that many judges will be disposed to accept such reports as conclusive on the merits of a reorganization plan.

### SEC Fairly Satisfied

SEC didn't get everything it wanted, but it considers the new law pretty satisfactory. The House bill provided that SEC should automatically become a party to reorganization proceedings, upon filing notice of appearance with the court. A Senate amendment to the bill as finally enacted leaves this up to the judge and specifically denies SEC the right of appeal in any reorganization proceeding.

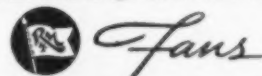
SEC regards very seriously its new responsibility. Many members of its staff not only have the background afforded by its long investigation of corporate reorganization, but, under the

**THE FAN YOU SHOULD HAVE BOUGHT** *Last Summer*

Buy a *cheap* fan and get half the breeze, a fraction of the life, and that uneasy feeling one has after penny-wise, pound-foolish spending. . . . Buy an R & M *De Luxe Fan*, and enjoy bigger, quieter breezes for the rest of your days! . . . This is the finest fan we make—which means, we believe, as fine as money can buy. Smooth running, with silent, capable broad blades. Distinguished in styling, with an aristocratic black and silver-bronze finish. A five-year guarantee on 25-year quality. These fans are the oscil-

lating type, 10, 12 and 16 inches—\$15.95 to \$37.50; other R & M fans, \$3.95 and up. The best dealers sell them—and every dealer knows how fine they are. . . . *Robbins & Myers, Springfield, O.; Brantford, Ont.*

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Riding triumphantly through the long years of world-wide depression, the Leipzig Trade Fairs have reached important new heights in international commerce. THE 1938 SPRING FAIRS BROKE ALL THE RECORDS OF 700 YEARS—IN ACTUAL SALES AND IN THE ATTENDANCE BY EXHIBITORS AND BUYERS ALIKE.

On August 28th the Fall Fairs will open. Reservations already in hand indicate that there will be more than 6,500 exhibitors from 25 countries—and not less than 150,000 buyers from 72 countries. Those who attend these semi-annual Fairs are the aggressive executives and buyers from all parts of the world. They know that Leipzig is the one place to see tomorrow's merchandise successes today. They know that covering these Fairs keeps them at least six months ahead of their stay-at-home competitors.

In the General Merchandise Fairs, some 5,500 firms will exhibit both finished and semi-finished goods—covering every conceivable line for the department and the specialized store. In the Building Fair, there will be at least 1,000 exhibitors. We invite you to write for Booklet No. 18—tell us the lines in which you are interested—let us help you determine the profit possibilities which these Fairs offer to your business. You can cover all your interests in Leipzig in less than one week's time.

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# Leipzig

## TRADE FAIRS

Holding Company Act of 1935, they have had considerable experience incident to approving the reorganization plans of registered companies.

So far as its legislative record is concerned, SEC is one up and two to go. A provision in the new bankruptcy law stipulating that agents, indenture trustees, or committees purporting to rep-

resent creditors or stockholders shall not be heard or allowed to intervene in a reorganization proceeding until they have complied with all applicable laws regulating their qualifications and activities, anticipates enactment of the Lea and Barkley bills which failed to ride down opposition in the last session. Both bills will be revived.

## Mexican Oil to Berlin; U. S. Wary

**Barter deal with Germany arouses alarm over American exports to best Latin American customer. Can Washington settle the oil land dispute?**

A YEAR ago a strike started in the foreign-controlled oil fields of Mexico which ended this March with the expropriation of all foreign-owned properties by the Mexican government.

No settlement has yet been reached between the Mexican authorities and the British and American owners of the properties, though the Mexicans have handed our State Department the terms of a proposed settlement which Washington is discussing with the oil companies.

In the meantime, a deal for the sale of 10,000,000 bbl. of Mexican oil to Germany has been negotiated, the Germans to pay for the shipment 60% in machinery and 40% in cash.

This is not the first shipment of Mexican oil to Germany, but it is the first of importance. Though specifications are not made public, the current deal must amount to about \$12,000,000, which means more than \$7,000,000 of German machinery will be supplied to the Mexicans in direct barter.

Machine items specified by the Mex-

icans include equipment for one of the country's large new hydroelectric power projects, for paper and sugar mills, and for three new oil refineries.

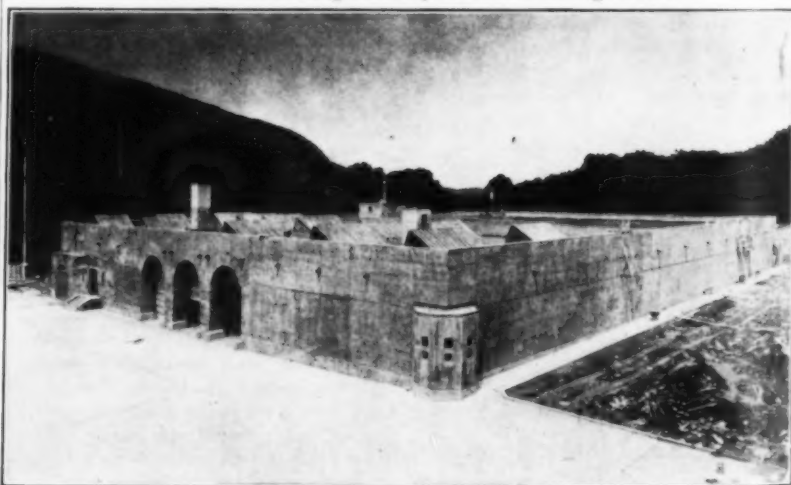
This creates another worry for American business in Mexico. Regularly since 1931, Mexico has been our largest Latin American market. Last year we sold nearly \$110,000,000 of goods to the Mexicans, more than three-quarters of it finished manufactures.

### Lines That Are Threatened

Leading export items were mining and quarrying machinery, equipment for refineries, sugar mills, steel shapes and plates, railway cars, tracklaying tractors, automobiles and parts, and radios. This is the business which Germany threatens now to muscle in on by agreeing to purchase the oil which Mexico must sell if it is to avoid disaster in one of its major industries, and which the American companies refuse to handle until they receive some settlement from the Mexicans.

Washington is approaching the Mex-

## New Silver Repository Nears Completion



**A**N exterior view of the huge concrete vault on the military reservation at West Point, N. Y., where nearly two billion dollars worth of government silver from the mints at San Francisco, Denver, and Philadelphia will soon be stored. The structure has foot-thick walls, a 15-ton steel door, 23 individual vaults.

ican problem cautiously, too cautiously in the opinion of a good many investors who hold a part of the \$479,000,000 of direct investments of United States citizens in Mexico.

It is obvious that Mexico cannot pay cash now for the expropriated properties. Total value of the foreign oil properties is estimated at about \$450,000,000 by the British and American oil companies. Britain's share is larger than the American, but it is probable that in any negotiations which may take place, these values will have to be written down somewhat.

It is equally obvious that the present Mexican government has no intention of returning the properties, unless by force. Washington is unlikely to consider any show of force in view of its Good Neighbor policy.

#### Settlement Proposed

President Cárdenas is reported to have proposed to the expropriated oil companies through their governments that they cooperate in the distribution of the oil and that in return Mexico will allocate 60% of production to indemnity payments. Presumably this would provide for complete settlement in 10 years.

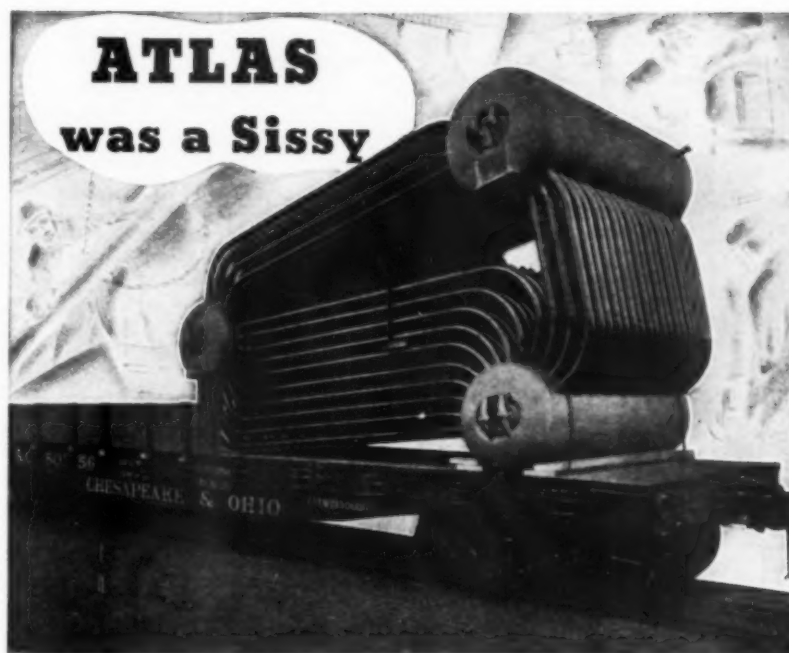
Once the idea of expropriation is accepted, no matter how reluctantly, the plan has its good points. It would keep the distribution of the oil in the hands of the companies, which could then prevent distress selling by the Mexicans in world markets, and which could control promised indemnity payments by controlling the distribution of Mexican oil. It appears now that this is the only way payment will ever be made. No foreign operator in Mexico wants to accept Mexican government bonds. Expropriated ranch owners who were forced during recent years to accept this form of payment have little hope of realizing on these government obligations.

The form of settlement on the oil properties is all-important to the mining interests. United States direct investments in mines and refineries are estimated in Washington at slightly more than \$213,000,000.

#### Rail Freight Rate Issue

An order a few weeks ago to increase railway freight rates 50% on shipments of minerals was finally withheld by the President. The railways, now operated by the workers, were asking for higher rates in order to maintain the system's efficiency. Mining authorities declared the rate increase would be ruinous to them.

It is important that the oil controversy be settled promptly and firmly if further serious troubles over foreign investments in both Mexico and the rest of Latin America are to be



I've seen statues of that Greek, down on one knee, shouldering a big globe. But just holding it—not going any place. What a cinch *he* had! Now, a flat car like me—I have to take backbreaking loads around the country, up and down mountains, hundreds of miles. For instance, this overgrown boiler that you see in the picture was strapped to my back in Cincinnati and I took it to Charlotte, North Carolina. Made the trip in great time, considering how carefully my train takes curves with a heavy load aboard... On the way back I picked up a steam shovel at Elkhorn City, Kentucky, took it to Cincinnati—and the next day I was on my way to Richmond with a heavy load of concrete piling... They call me the work-horse of the railroad. And *work* is right!

★ ★ ★

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Market Counselors  
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avoided. That is why business is awaiting so impatiently action by Washington on oil. A precedent is being set which will have a good deal to do with our future business south of the Rio Grande.

## Shanks' Trade Zone

There's a "free port" in New York, and its boss is a young Southerner.

IN May, the foreign trade zone in New York—first in the United States—was turned over by municipal authorities who had been operating it for more than a year to Harry C. Shanks, a private operator. Foreign traders were pleased. Most of them look askance at government operation in any field. Certainly the trade felt that the zone would have no fair opportunity to prove its worth until private initiative had a chance to show what could be done with it.

The United States is unfamiliar with foreign trade zones—or free ports, as they are more commonly called in Europe. The Freihafen at Hamburg is perhaps the best known, though Trieste, Barcelona, Copenhagen, Stockholm, and Danzig all have important sections of their harbors set aside for the handling of "free" trade. Ships tie up in these special areas, discharge their cargoes, and pick up fresh ones without the delay of customs formalities.

A free port is an area in a port set aside by a government for the transshipping of goods. To facilitate business, these zones are cut off from the surrounding territory by high fences and water patrols. Within the zone, there are no customs formalities. German liners from Africa, South America, the United States, and the Orient unload huge bulk cargoes in the Hamburg free port for sorting, repacking, and transshipping, and pick up other cargoes which have already been worked and are ready for re-shipment to other parts of the world. In some of these free ports, even manufacturing is permitted. German ships and German workmen get the advantage of this added business which probably would not come to them if it was necessary to go through customs.

### Hope for Trade Development

This is the kind of business that New York hopes to develop in its foreign trade zone. For the present, no manufacturing is permitted. Bulk goods may be sorted, packed, and labeled, and large shipments of any kind can be broken up and released piecemeal through the customs for the American market or shipped to other markets



HARRY C. SHANKS

He'll set the precedent for free port operation in this country.

served regularly by fast steamer service from New York.

Business welcomes the shift from government to private operation of the foreign trade zone. The new firm will meet established competitors in the warehousing business on their own terms, without any of the privileges that are likely under government operation. The new operator will have to solicit his business on the same basis that the other warehousemen do. He will create his own precedents, subject only to Washington's interpretation of the foreign trade zone law.

### New Operator's Career

Harry Shanks, the new operator, is an aggressive young Southerner. He hails from Memphis, and still has cotton and tobacco plantations in that neighborhood. On one of his first visits to New York, he and a relative observed that the strings of barges which brought produce from the Great Lakes through the canal to the Hudson and down to New York often made the return voyage with little or no cargo. They got busy and organized a service to handle freight bound for the West. About seven years ago, Mr. Shanks bought out several small lighterage companies operating in New York harbor and went into the business under the name of the Manhattan Lighterage Corp. He now has more than 60 bottoms in service carrying innumerable commodities from ships to storage warehouses, or from freight terminals to freighters bound for all parts of the world. This is the business which familiarized him with the problems of the port and caused him to see the possibilities of developing the foreign trade zone.

Nine steamers unloaded cargoes in

the New York foreign trade zone during May, one of them bringing 1,500 tons of Brazil nuts. Stored in the warehouse are cans of corned beef from Argentina which are labeled in the zone with the private brands of American distributors. Liquor dealers are discussing the possibility of shipping in bulk into the zone and bottling here and releasing stocks only as they are needed. This would eliminate the need for tying up capital in payment of duties until the liquor or wine is ready to move into trade.

## British Buy Nazi Cars

**Sharp rise in imports causes surprise, and shock, and a digging for facts.**

LONDON (Business Week Bureau)—British business, but particularly the automobile industry, was shocked when the country's import business in cars for the first four months of this year was revealed, and showed that imports from Germany had trebled last year's fairly large total.

Automobile Imports  
January-April, Inclusive

Country	1938	1937	1936
Germany	3,163	1,049	81
United States	2,003	3,187	3,675
Canada	581	947	1,042

More detailed study of trade figures showed that the average value of German cars imported in the first four months of 1938 was about \$450, in comparison with \$930 for American cars, and an average of \$665 for all imported cars. These figures do not include the 33½% duty which is levied against all automobile imports into Great Britain.

### Opels Predominate

It was the next detail that particularly interested the trade. Nearly 90% of the German cars coming into Britain are Opels, manufactured by Adam Opel A. G., German subsidiary of General Motors. Distribution of these cars in Great Britain is handled by General Motors.

British manufacturers, viewing the influx as competitors, surveyed the problem: the Opel ranks as a 12 hp. car for taxation purposes in Britain; base price is \$675 (compared with \$887.50 for the cheapest British-made 12 hp. car—the Morris—and \$800 for the Austin 10. Only the Ford 10 sells at the same price as the Opel in Britain).

A little snooping around revealed that the Opel car sells in Germany for 1,795 marks (about \$718). In England, after paying freight, customs, distributors' charges, and deducting profits, the cars are still being offered to the public for \$675. This indicates that a subsidy is paid on the exported

cars. The London *News Chronicle*, in an inspired article recently, put this subsidy at 43% of the ultimate selling price. Funds for the subsidy are provided by a levy on all German car manufacturers which amounts to about 3% of their turnover. In the case of the standard Opel model, they claim it is actually billed to export dealers at \$325. The amount of the duty payable has been given as \$130; and when other items are included, it appears that the all-in landed cost to Britain it about \$520.

British manufacturers, confronted often with the problem of getting capital or profits out of countries with foreign exchange control, are as aware as Americans that two purposes are being served by the present Opel deal. Germany is getting the \$325 of sterling

exchange which is due the producer in Germany for each car exported to Britain, but General Motors is getting the difference (about \$350 a car) in British pounds which it is free to transmit to the United States.

### Not Out of the Ordinary

This roundabout way of doing business in these days of extreme nationalism is not unique. Schemes of various kinds have been devised by all aggressive exporters to maintain their business. This project simply came to light because the British became alarmed over the influx of cheap cars, and threatened to increase duties on small horsepower cars in order to keep them out. This probably won't be necessary, for the flood is already subsiding to just a trickle.



Many mines, operating close to timber supplies, can get timber for ties, roof supports, etc., so cheaply that they would seem to have little reason for saving it. Yet many buy pressure-treated timber for these purposes from The Wood Preserving Corporation, a Koppers subsidiary.

The reason? Replacement costs. Untreated mine ties last only two to five years. The Coal Division of the American Mining Congress reports pressure-creosoted ties in use up to 17 years with no sign of decay.

Can treated timber products cut your maintenance costs?

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**K O P P E R S**

1938  
MANAGEMENT OBJECTIVES  
NUMBER 7

## Reduce Your Market Liabilities!

TAKE HOME a hundred recent reports of calls made by salesmen—and then ask yourself “what can I do to help the boys get some business *now?*”

What about the prospect who says “We’re waiting to see what the course of business is—what the President says—until Congress adjourns—until elections?”

What about the prospect who says—“your price is too high,” or “I don’t believe those claims” or “we prefer another brand” or “we always used the X product with good results.”

You’ll conclude that *ignorance* of the truth about your product—how it will help users *meet* the present day problems caused by business conditions or legislation,—is costing your salesmen orders, and costing you volume and profits right now—costing people in your community jobs—costing your stockholders dividends.

Better yet—turn over 100 such sales reports to your advertising agency and ask them whether your appropriation is adequate to overcome the sales resistances you meet today.



## Business Abroad

**Optimism develops in London and New York. International crises are eased by firm British action and closer Italian cooperation.**

For the first time in many months there was a distinct note of optimism in both London and New York over the outlook for business in the immediate future. Soaring stock prices in both markets were taken by many leaders in both countries as the tipoff that the turn in the slump had come.

In both countries, executives have insisted that at the first sign of the hardening prices, there would be a rush to buy, for inventories are low, stocks in most of the controlled industries are not excessive, and in several countries the effects of pump-priming are going to be felt in the next two months. Business considered it highly significant that shipping freight rates were up in May for the first time since last September.

London admitted this week that talks were under way between British and Australian trade representatives over the adjustments which must follow in Anglo-Australian trade following the signing of the Anglo-American trade agreement. It is still believed that the trade deal between Britain and the United States will be ready for publication by the middle of next month.

The international situation shows signs of smoothing gradually. Italy is badly in need of winding up the Spanish affair and is following British suggestions closely. France may be brought into line without an internal outbreak because of the larger settlement which may develop in Central Europe.

### Far East

**Executives welcome business leader in cabinet, hope for more liberal attitude toward business.**

TOKYO—The long-anticipated reconstruction of the Konoye cabinet has been enthusiastically welcomed in the business community in Japan. Seihin Ikeda, former president of the Mitsui Co., was a particularly happy choice for Treasurer and Minister of Commerce and Industry. The appointment of an exponent of "big business" to these significant posts is interpreted as a bold move towards strengthening Japan's current wartime business setup after the failure of the routine bureaucrats to cope with the emergency situation.

Leaders of industrial circles, in which the practical ability, far-sightedness

and personality of Seihin Ikeda has long been known, are expecting much from the new cabinet member.

These expectations run in three directions:

(1) The excessively divergent and complicated "control" system and the

lack of coordination in the enforcement of control measures have obstructed the business activity of the nation to no small degree. For instance, the Finance Ministry officials have refused in many cases to issue foreign exchange permits for the importation of commodities which the Department of Commerce and Industry had endorsed as "urgent", with the result that not a few plants were laid up for lack of some machine or replacement part.

In the appointment of a single responsible man to both ministerial posts, business sees the intention of the government to readjust and unify

## FOREIGN ANGLES

**Britain may boost auto duties. . . . Americans build machines for German flivver plant. . . . Roosevelt has a war debt plan. . . . Tip to broadcasters.**

British authorities are considering boosting import duties on automobiles of less than 17 hp. in order to stem the influx of cheap German cars which with the aid of the German export subsidy, recently have flooded the market. This would primarily affect imports from Germany and Italy. Any opposition from American manufacturers could be countered by lowering the duties on high powered cars, of which they supply the largest number of imports.

International unification of copyright legislation will be a topic for major discussion when the Interparliamentary Union meets at The Hague, Holland, Aug. 22-27. Senator Alben W. Barkley, Kentucky, is president of the American branch of the Union.

The Federal Trade Commission has charged the K & K Supply Co., Inc., New York, with unfair competition in connection with the interstate sale of bicycles allegedly assembled from frames and parts imported from Japan and from other parts manufactured in the United States. It is charged that "Made in Japan" was marked on the heads of frames in such a manner that it would easily be covered up so as to escape the attention of prospective buyers.

American machinery manufacturers have received orders for several large special machines needed by the Germans for the new plant in which the People's Car is to be built. British scouts say that the Germans also will use rayon instead of cotton for the base of a new artificial leather which is to be used in the car. Over this base, resins of the polyvinyl type will be used as coating material.

Hungary's plan for settling its war debt to the United States leaped into the limelight this week when it was rumored that President Roosevelt would ask Congress at its next session to accept the proposal and make it a model for settlement offers from other nations. The Hungarian debt was originally \$1,685,000. About \$478,000 has already been repaid in principal and interest. The Hungarians are asking that this be deducted from the original total and that they be allowed to make the rest of the payments in annual instalments small enough for them to meet readily.

Foreign exchange stringency in Japan is beginning to affect travellers. By order of the Japanese Home Office, the amount of cash that can be taken out of Japan by nationals traveling abroad has been limited to ¥5,000 (\$1,450). The number of Japanese business men traveling abroad is expected to decrease drastically as soon as the measure becomes effective. Similar German restrictions cut allowances to 10 marks (\$4), though special permits were granted for certain business leaders to receive larger allowances for foreign travel.

Tip to broadcasters from an American executive in Buenos Aires: "One mistake we think the broadcasting chains are making in their short wave programs for Argentina is the provision for so much Spanish music. Usually when people down here listen to United States programs, they want to hear American dance music, popular folk songs, or classical music, for if they desire to listen to Spanish music they can get all they want on local stations with much better results and less effort."

## What's New in Soviet Transportation



AT the left, Russia's first double-deck bus, one of a fleet recently put in service in Moscow to ease traffic in the growing capital. At the right, the Soviet Union's first streamlined, high-speed locomotive. It will make the run between Moscow and Leningrad in 6 hours, including stops, has a top speed of

150 kilometers (93 miles) per hour as against a speed of 130 kilometers for the locomotive that has previously been standard equipment on Russian trains. Interesting features include automatic stoking, as well as smoke diverters to keep fumes away from the crew.

the complicated administrative institutions for state control of industries and business. In fact, it is believed that by this appointment the preliminary groundwork has been laid for what may eventually materialize as replacement of the two government departments by a single Economic Ministry.

(2) It is believed that the new minister will try to lick the price problem by relaxing the iron fist which has kept imports of raw materials for Nippon's export industries down.

(3) It is considered significant that, at a time when the government has given many proofs of its desire to go into business and stifle private enterprise, business has been given an opportunity to go into the government.

## Germany

### Final liquidation of Jews begins in drastic drive. Foreign banks leave Vienna.

BERLIN (Cable)—German executives are worried over the drastic new drive to liquidate the Jews and the continued sharp contraction of German exports.

The new drive to free all business from even the slightest Jewish influence is more drastic than even Berlin had expected. Any corporation with even a single Jewish executive is branded.

Latest move in the drive is the listing of all Jewish firms in a public register. Since everybody will be afraid to deal with such firms, even if there is no formal prohibition, the value of the shares of such firms will of course

be greatly depreciated in a short time.

Foreign trade for the second consecutive month was lower than a year ago, and there is already an unfavorable balance for the year of nearly \$30,000,000. The outlook is serious.

Foreign banking interests in Vienna are being forcibly driven out of the country. During the last few weeks, branches of both Czechoslovakian and French banks have been absorbed by the Mercurbank, subsidiary of the Dresdner Bank.

## France

### Business outlook is uncertain. Japan causes complications in Far East empire.

PARIS (Wireless)—The French business outlook has not improved. Unemployment is smaller than it was a week ago, but greater than last year. Foreign influences are still disturbing. Britain is bringing pressure on the French to cooperate with Britain in bringing a settlement of the Spanish affair, but only the greatest firmness by Daladier can keep the country lined up behind him on any deal which appears to favor the Franco forces in Spain.

With parliament adjourned, the Daladier government can go ahead with its decrees and its efforts to stimulate production. No significant news has been announced this week.

France became concerned over the Far Eastern crisis this week when Japan threatened to occupy the Chi-

nese island of Hainan, which is very near the border between China and French Indo-China. If Japan should occupy and fortify this island, it would greatly weaken the British and French hold over important colonial territories in the Orient.

## Great Britain

### Good news boosts business sentiment. Fresh evidence develops that Anglo-American trade deal is progressing.

LONDON (Cable)—Markets here are cheerful this week. The international situation is still serious, but the outlook for some kind of a settlement in Spain has brightened considerably. And the news from Wall Street has given a tremendous stimulus to optimism. African gold mining shares were still highlighted in spite of the passing of the recent devaluation scare.

Evidence that the British expect the Anglo-American trade agreement to be passed soon comes in the meeting this week of British and Australian trade representatives who are working out problems which have developed from the concessions granted by both Britain and the United States in their new trade agreement. London expects the United States to announce soon the opening of formal negotiations for an Australian-American trade pact. Negotiations will center around the freer import of Australian wool and American automobiles and machinery.

A German delegation has arrived

London to continue the discussions regarding settlement of the former Austrian debts. The British are being firm in their demand that Germany carry the service payments or face a rigid trading agreement with Britain. Since Germany sells the British much more than they buy in that country, it is important to keep this trade unimpaired if possible.

Britain's business outlook for the rest of the year is not bright in spite of the week's cheerful developments. Within the last two months, indications have been coming from all sides that new orders to industry from private sources are dropping away and the present heavy order books are being worked off, there will be a drop in activity.

Steel production, though it is falling, is still extraordinarily high (about 30% of capacity compared with less than 30% in the United States) and though it may come down another 10% in the next 12 months, the fall would not be sufficient to cause distress.

Unemployment will probably increase to at least 2,000,000 by the end of the year. The stock exchange has already written off most of the possible things that can happen, and is only to push ahead at the first hopeful sign that the bottom has been reached. Public purchasing power has not fully recovered from the sharp rise in the cost of living last year and has been affected by increased taxation and, in the high-income groups, by the stock exchange slump.

Between now and the last quarter, it seems probable that there will be a further decline in business activity of from 10% to 15%. Beyond this, executives are still optimistic because no part of the economic structure appears to be seriously unbalanced, and there are no financial cracks such as were present in 1929 and 1930. Most executives—even stock brokers who now are very little business—are not tearing their hair but are under the impression that they are merely marking time. There is definitely no "crisis of confidence." That is why this week's good news is watched so closely. It would not require much of a spark to kindle a fresh recovery.

## Canada

**Business is dull. Budget deficit is small; few taxes are changed. Social credit suffers more defeats.**

OTTAWA—Business generally is steady but a little duller, with bank clearings and carloadings declining slightly and the economic index off 1.4 for the latest week. Contraction of ex-

# ALL WET!



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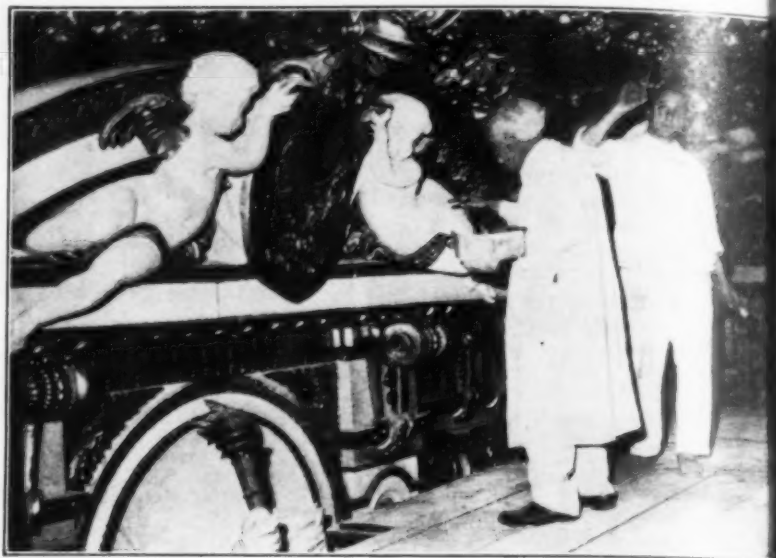
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## Cleaning Up for Royal Visit



NEXT week Europe's two great democracies planned counter propaganda to that staged by the dictatorships when Hitler called on Mussolini. The occasion was to be an official visit to France by Britain's King and Queen. The death this week of the Queen's mother caused plans to be altered. Probability now is that the King will go alone. Above, artists refurbishing cherubs on the ceiling of the suite their majesties were to occupy in the Palace of the Minister of Foreign Affairs.

ports to the United States continues to be an important factor, with total exports to all countries for the first two months of the fiscal year down 25% from the same period last year. The cost-of-living index was 84.2 for May, against 84.3 for April, easier food prices being offset by higher rentals. Automobile production for May was considerably lower than in April, and 20% below May, 1937.

The budget submitted by Finance Minister Charles Dunning pleases Canada moderately, neither lowering nor raising taxation. The deficit of less than \$14,000,000 for the fiscal year ended last Mar. 31 is \$21,000,000 better than the estimate of a year ago and there would have been a \$40,000,000 surplus but for the 1938 crop failure, which added to the relief bill, and for the Canadian National Railways deficit. Dunning figures on a deficit of \$23,000,000 this year.

The only taxation changes are the removal of the sales tax from building materials (expected to lower building costs about 5%); removal of excise tax from tires and tubes in original equipment to help the rubber industry; stiffening of the income tax on gifts. The Minister changed income tax regulations in a manner designed to reach rich Canadians fleeing to lower tax paradises in the West Indies and elsewhere.

With the Canada-United States treaty impending, the tariff wasn't touched in the budget.

The fiscal position is pretty satisfactory. Government revenue for the year reached \$516,000,000, was the highest in history. At \$1,946,000,000, Canada's aggregate trade for the year was \$155,000,000 better than the previous year. Export trade at \$1,148,000,000 was up \$27,000,000, and import trade at \$799,000,000 was \$127,000,000 higher.

Trade with the British Empire increased \$56,000,000 to \$749,000,000, and with the United States \$72,000,000 to \$830,000,000. The favorable trade balance was \$348,000,000, \$100,000,000 less than the previous year.

Disallowance of new Alberta acts by the federal government has further gratified business. The acts, passed this year by the Social Credit provincial government, placed further heavy taxes on financial companies doing business in Alberta and virtually exempted home owners from payment of mortgage debts. Ottawa held they were injurious to public and private credit in Canada and prejudicial to the interests of people outside the province. Petitions for disallowance of nine other acts are being considered.

Liquor business is feeling the slump. Distillers Corporation-Seagram Limited reports net profits for the quarter ended Apr. 30 of \$830,000, compared with \$1,467,000 for the corresponding period of last year. It attributes it mainly to a drop in sales from over \$19,000,000 to under \$16,000,000.

# Money and the Markets

**Stocks go up, commodities climb, steel operations rise, and the government's lend-and-spend program assists the general advance. If this continues just a little, watch the effect on inventories.**

AVERAGE prices of 50 industrial stocks on Monday bounded over 5 points, and, quite coincidentally, Wall Street listened that afternoon as the carillon of Old Trinity Church chimed "Praise God from Whom All Blessings Flow."

It was the widest advance in stock prices, with a single exception, since last Nov. 10. It inspired an all-around plunge in commodity prices. Business pricked up its ears and gave the first authentic signs of revival in about a year.

Business Week's index of business activity perked up practically a full point, the best rise since the middle of March. Steel operations moved up to 28% of ingot capacity, an advance of nearly a point. Steel scrap quotations, barometer of the trade, were marked up three times on Tuesday and Wednesday. Zinc and lead prices were advanced on Wednesday, and rubber quotations surged above the 13¢ mark to stand almost 3¢ a lb. above the year's low. Wheat quotations have bounded more than 15¢ from recent bottoms, and cotton \$5 a bale.

Those are unadorned facts which indicate the trend. What all this means to business is pretty obvious. Rising commodity prices mean more business at better quotations for the producers of raw materials—and more business

for them means more in the pay envelopes of their workers. Rising stock prices mean not only increment for investors, but an improved psychology and a will to spend.

The jump in stock prices during the first three days of the week amounted to about 11¼%, and represented a mark-up in values of common stocks listed on the New York Stock Exchange of 3¼ billions of dollars. Tacking \$5 a bale onto accumulated supplies of cotton and the prospective 1938 crop means about \$100,000,000 in the pockets of Southern farmers. Boosting the value of the wheat carryover and the new crop by 15¢ a bu. adds up to approximately \$175,000,000.

These things carry the seeds of business recovery. Only a little rise in general activity would have an interesting effect on inventories, for example. Manufacturers have been cutting inventories which a few months ago looked very high. Nevertheless, stocks of raw materials have loomed very large in the light of orders at recent depressed levels. Let orders pick up a bit, and these inventories might quickly look totally inadequate. In such a case there would have to be a lot of orders for replenishment.

Strengthening this is the government's lend-and-spend program. Wash-

ington's billions will make a much larger splash if they are ladled out at a time when business has developed a push of its own.

The factors which brought about this week's sudden upheaval on the financial front were anything but obvious. Pretty substantial buying came into stocks right at the beginning on Monday morning, and touched off the rise. Adjournment of Congress probably was the largest single inspiration for that buying.

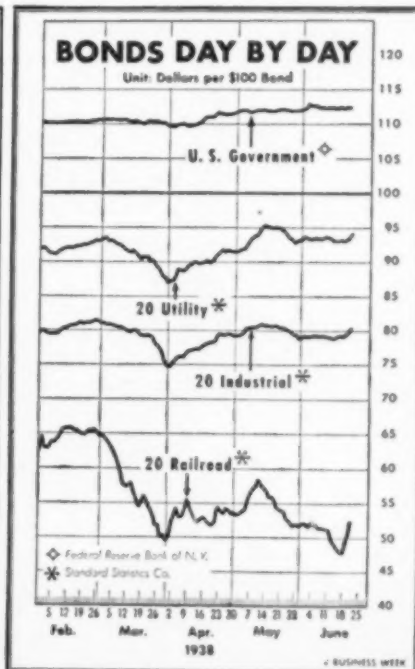
European buying aided the rise, but currency devaluation no longer was a dominant factor. Ambassador Kennedy squelched that as soon as he got back from Europe, and gold stocks went into a decline.

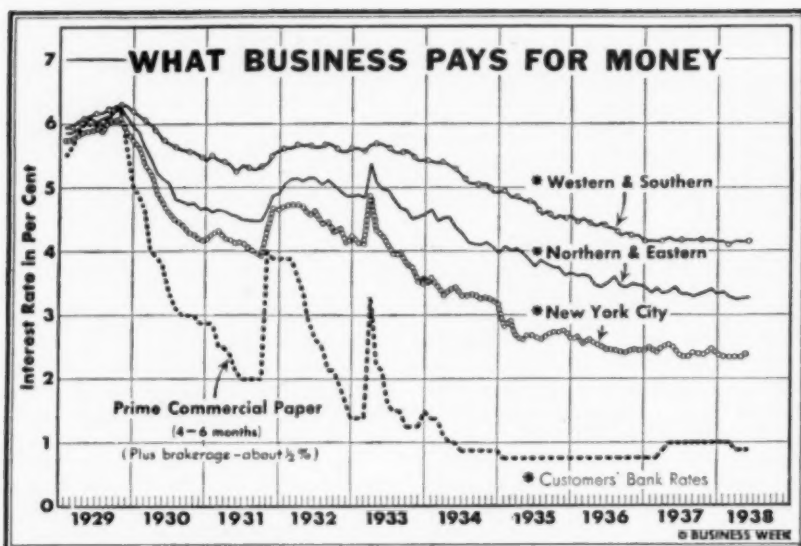
Incidentally, the dramatic change in the complexion of the markets had a salutary effect on Wall Street feeling. Daily trading at once bounced over the million-share level, at which rate brokers can make a little money. Two New York Stock Exchange seats on Wednesday sold at \$58,000, a rise of \$7,000 from the last week's 20-year low (BW—Jun18'38,p44) of \$51,000.

## Beef Business

**Packers look ahead and try to calculate how they're going to do this summer.**

SLAUGHTERS of beef cattle at the nation's stockyards have risen, and prices have held most of the gain of about 3¢ a lb. chalked up between the first week of March and the first week of June. But the packers are more concerned about the flow of cattle to mar-





ket during July and August and about the question whether consumer purchasing power will hold at its present levels than about current slaughters and prices.

July and August, good months for the consumption of cold cuts such as boiled and baked ham, are poor months for the consumption of fresh beef; and the percentage of the beef carcass that is processed and kept in storage for more than a few weeks is so small as to be almost negligible. The packers, therefore, wouldn't complain if the movement of cattle to market should ease up a little during the next two months.

### Expect Fair Business

They hardly expect this to happen. Supplies on the farms and ranges have been growing; but as the current price still is a good bit below the 1935 average, the packers don't expect to be swamped with cattle during the grazing season. Moreover, they are optimistic enough to believe that consumer purchasing power will hold at its present levels during the summer and turn upward in the early fall. If both judgments are correct, their business will be pretty good. But they know that many factors may influence the shipment or withholding of cattle from the market, and that the same holds true of the rise and fall of consumer purchasing power.

Meanwhile, the climb of the price of good steers to a 1937 high in the first week in June, and the fact that the government-inspected slaughter of 772,331 head at packing plants in all cities in May topped the five-year average of 743,708 head by 3.8%, have infused new life into the beef department of the packing business. Favorable factors behind the statistical position are the fact that steers now being marketed were fattened on corn from last year's

big crop, and therefore weigh more than the steers marketed last year; the fact that the percentage of low-grade cows and heifers in the slaughter is relatively small; and the fact that both corporate chain stores and independent grocers with meat departments are co-operating in an effort to keep meat within the family budgets of the middle class.

**Over-The-Counter Law**—The most sweeping legislation ever to be enacted to govern the unlisted markets has been written into the statute books with the passage of the Maloney bill. Along broad lines, this enactment says that the over-the-counter dealers will be entrusted with self-regulation under the guidance of the Securities and Exchange Commission.

Mechanics of this self-regulation will fall on regional associations. These regional associations have been making rapid strides in organization and housecleaning in recent years; now they assume a strong place among the federally regulated securities markets.

Particular interest has attached to the Maloney bill because it was hatched of cooperation. Long ago the Investment Bankers Conference showed an inclination to go along with the SEC in working out practical regulations for the 6,700-odd recognized unlisted dealers. The SEC was pleased with that attitude. It hasn't authorized the Investment Bankers Conference as an over-all organization in which the regional associations will head up, but it has implicitly encouraged this. Thus it is a pretty good guess that a broad national organization will emerge under the new law.

**Big Block**—If, on Tuesday, a broker had rushed onto the floor of the New York Stock Exchange shouting, "10,000 shares of IMN to sell at the market,"

International Business Machines Corp. common (for which IMN is the stock ticker symbol) would have taken a bad spill. Dumping nearly 10,000 shares of one stock on the market just now done these days.

So the investor who had 10,000 shares of IMN to sell did not turn to a floor broker; he gave his order to a group of investment bankers—Brown, Harriman & Co., Inc., Lee, Higginson Corp., and Kidder, Peabody & Co. They, with the help of a few dealers, turned around and negotiated over-the-counter sales of the stock to insurance companies, investment trusts and individual investors, in 100- to 1,000 share parcels.

How smoothly they did their job is indicated by the fact that the block was offered and sold the same day at a price of \$145 plus the regular stock exchange commission of 27¢, or just a shade under the closing bid price on the exchange of 146½. All of which had news for commission brokers. It's just another sign that business is drifting away from the floor of the stock exchange to the over-the-counter market.

**Controlling Surpluses**—Any lingering doubts that the non-ferrous metal trades mean business in this matter of

### Public's Director



DR. WALTER A. JESSUP

**B**IG business is everybody's business, says Lewis H. Brown, president of Johns-Manville Corp. So the big building materials concern has chosen a new director who doesn't represent the banks or Wall Street or some good customer but who is to represent the public on the board. He is Dr. Jessup, president of the Carnegie Foundation for the Advancement of Teaching. His election, Mr. Brown believes, is in keeping with the growing social responsibility of business.



cutting production to balance consumption have been dispelled. As pointed out in *Business Week* on June 14 (p47), this tendency has been becoming more and more emphatic. Now it has borne fruit in a very noticeable stiffening of prices.

Two conspicuous things have happened in the last few days. The foreign copper cartel has cut shipment quotas, and the tin committee has announced details of its buffer pool arrangements. Both these cartel actions are designed to reduce the amounts of the metals finding their way into consumptive channels.

The copper committee cut shipment quotas from 105% of standard tonnages to 95%, effective July 1. The industry outside the United States had operated at the 105% rate since last October, and the cut reflects the change in the statistical position. Deliveries to consumers outside the United States in May were down to 108,523 tons, compared with 129,577 in April. World-wide deliveries to consumers were 144,344 tons, the lowest since September, 1936.

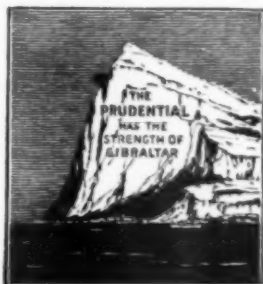
Cartel action to cut foreign copper output coincides with widespread shut-downs of mines in this country, leading to the belief that supplies on hand will rise much less sharply hereafter, and possibly will even start to decline soon.

The tin cartel, which cut shipment quotas from 60% of standard tonnages to 45% three weeks ago, has finally succeeded in getting all parties signed up on the mechanics of the buffer pool. Actual shipments to consumers will be limited to 35% of standard tonnages, and 10% of the basic quota will go into the hands of the pool. Thus producing countries will continue to produce and ship 45% of standard tonnages, but more than one-fifth of these shipments will be held off the market until such time as they may be needed.

**Crop Scares**—Not this year so much, but in seasons to come, cotton news will dwell at length on the Amazon of the insect kingdom. She's the white-fringed beetle, an immigrant from South America. She arrived last year and brought no males with her, for males are of no interest to this parthenogenetic female. Her eggs mature and hatch without fertilization.

The white-fringed beetle isn't a choosy eater, thriving on almost any old kind of host plant, although camphor trees are preferred. Food of the larvae is the cambial layer between stem and bark, and plants attacked don't last long.

Some observers already are saying that this is the most serious insect pest ever imported. It appeared in New Orleans last year. Each female drops



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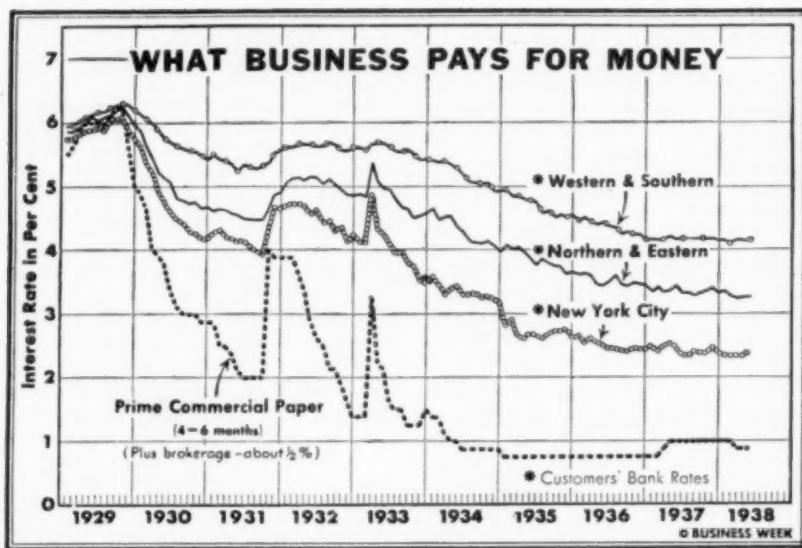
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#### Public's Director

# TIGHT BOUND

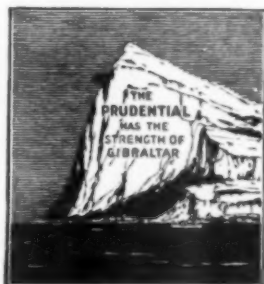
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300 or more eggs, and there is one recorded instance of a prolific mother which deposited 1,700. While the insect's only mode of locomotion is crawling, no method of control has been developed, and they get around at a great rate. Already they have spread from New Orleans as far as Pensacola, Fla.

Meanwhile, cotton prices have soared almost 100 points (\$5 a bale) from recent lows on more definite crop scares than any new beetle. Weather has been too wet and too cool for the best plant growth; the wet season has favored the familiar boll weevil which, it is feared, may commit widespread depredations.

**New Hide Market**—The Chicago Mercantile Exchange, in setting up a futures market for hides, was influenced by two considerations. Like all other commodity or security exchanges, it wants all the business it can get, and its directors and members believed it could grab a big slice of the business in hides as a result of leather trade criticism of the New York Commodity Exchange rule which permits certificates of inspection of hides to be issued for a period of three years, with a provision for renewal for two one-year periods. Chicago certificates will be for one year, and will not be subject to renewal, thereby eliminating any possibility of a buyer having to accept delivery of five-year-old hides. Secondly, though South American hides command a premium over native hides, directors and members believed that Chicago, being nearer the source of American hides than New York, ought to have a futures market.

The market, opened last week, got off to a good start. September, December, and March contracts were traded in, and trading in June contracts will start next month. Most orders originated in Chicago, but others came from New York, Boston, St. Louis, Milwaukee, and Fresno, Calif. Members recognized that orders from the outside might to some extent be complimentary, but guessed that those originating in the shoe manufacturing centers represented business that might be held. Sixty-six contracts, involving commitments for 2,640,000 lb. of hides, were recorded in the first week's trading. Prices ranged from slightly more than 8¢ a pound for September delivery to slightly more than 9¢ for December and March.

Establishment of the new market comes at a time when the statistical position of hides is growing a little better. Though consumption is running about 34% below last year, stocks of light native cowhides, raw, in process and finished, were estimated last week at 14,029,000, compared with 15,753,000 a year ago.

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## Editorially Speaking—

three or four years since *Variety*, the trade journal of show business, published its classic headline, on page "STIX NIX HIX PIX." Nothing has done since can touch that one. In a recent issue we find an obituary story, on page 23, under a headline that's a sort of second cousin of the one quoted above:

SEX PIX TRIX  
OFTEN DODGE  
CENSORS' NIX

TOOTH PASTE is now advertising its use of "luster-foam," a detergent or "soapless soap" which is chemically designated as C14-H27-05-S-NA. Sounds like a combination for a safe, or an old-time football signal.

Of course you have the right, editorially speaking, to be startled, naturally or otherwise, that the Bureau of Internal Revenue allowed a deduction of the cost of clothing as business expense," writes Beecher Ogden, of New York. "But how do you get that way when you imply that 'everybody else must be'?"

Not guilty. We weren't startled at the bureau's allowing a deduction of the cost of clothing; what startled us was that Adolphe Menjou's deduction on that score, amounting to three-fourths of his year's clothing bill, was only \$1,959, which meant that his whole bill was a measly \$2,612! Here was news sufficient to startle and stun every man alive.

THE same few lines of comment bring a different rejoinder from A. N. Meyer, Denver manager of the Acacia Mutual Life Insurance Company: "You state your clothes bill last year didn't run beyond four figures. What was it, \$10.01? That wouldn't buy a good buffalo robe, or a good buffalo a robe."

No, it wouldn't, at that. Seems to us that our buffalo is going to be a pretty expensive item if we don't get rid of him mighty soon. Buying good robes for a buffalo is likely to run into money. We've about decided to auction him off in our reception room, on Tuesday, July 5. It's tough to part with a mascot you've grown fond of, but this is a practical world, for buffaloes and for columnists.

PATL S. WILLIS, president of the Associated Grocery Manufacturers of America, spoke on a national network recently, and the story of this event is told in *News Flashes*, the journal of his association. "N.B.C.," it relates, "was pleased with the whole thing; Crowell Publishing Co., sponsors of the program and publishers of *Saturday Evening Post*, *Country Home*,

*American Magazine*, and *Woman's Home Companion*, were delighted." And what about the Curtis Publishing Co., publisher of *Collier's*?

THIS column bears the disgrace of not only being chronically inexact in mathematics but of causing inexactitude in others. Commenting on our recent remarks on someone else's statement that Toronto banks lose \$25,000 a year in ink filched by people who fill their fountain pens, A. E. Dawson of Toronto wrote that "\$25,000 would probably buy 75,000 gallons of ink," an amount far too great for plausible filching. But H. A. Jansen of Rogers, Minn., dissents:

"\$25,000 will not buy 75,000 gallons of ink. What I mean is ink that even the smallest bank in Canada would use. . . . The price of 'good quality ink' is \$3.75 per gallon. At this price only 667 gallons could be bought with \$25,000. . . . I have never had the occasion to purchase ink in Canada and I may be wrong. However, if good quality ink could be purchased up there for 33¢ per gallon, I think I am going into the ink business and sell it house to house. My margin would be nice and large, even if somewhat spotted at times. 50,000 people filching about 700 gallons of ink per year is quite possible. It would only be about a quarter of one pint each person per year. Not so much. What?"

No, not so much. But at \$3.75 per gallon, wouldn't \$25,000 buy 6,667 gallons of ink? We're not sure about this, mind you. After the ribbing we've had to take, we wouldn't swear that two plus two makes four.

THE City Commission of Atlantic City has decided that summer-time merchants must pay 10 times as large a fee as those who are there the year round. The latter will be charged \$50, the former \$500. If this tenfold rate were carried further, a one-month merchant would have to pay \$5,000; a one-week merchant 50 grand; and anybody who came to Atlantic City to do a single day's mercantile business would receive the privilege for a mere half million.

MOST admen used to consider Rex Tugwell the No. 1 menace at Washington, and some of them say that First Assistant Attorney General Thurman W. Arnold has succeeded him in that role. At the convention of the Advertising Federation of America, they not only got a good earful of Mr. Arnold but got a good look at him as well, and now they go around whispering the ominous news that in his own way he's as handsome as Tugwell.



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# BUSINESS WEEK

JUNE 25, 1938

THE JOURNAL OF BUSINESS NEWS AND INTERPRETATION

## Congress, Business, and Politics

**B**USINESS men who are as practical about national politics as they are about company policies have not joined in the editorial chorus of pained disappointment that has ushered the "\$12,000,000,000 Congress" off the stage of history.

Yet, as they review the record of the 75th Congress they have every reason to be morose. It raised their high hopes by turning a misguided tax law in the direction that business had urged. It buried government reorganization proposals—some good with the bad, it is true—thereby demonstrating its independence of a White House domination that business had come to fear and resent. But then the New Deal victory in Florida cast its exaggerated shadow over Congressional minds already fearful that New Deal political potency might be restored by the elixir of new spending. And in the end, the Administration did get its pump-priming millions with nary a string tied to them and retrieved a wage-hour law previously denied by a Congress that saw in it a symbol of the drive to put reform ahead of recovery. Congressional independence of the White House politician hadn't, after all, meant Congressional independence of politics.

Most of the irate epitaphs inscribed over the session stem from disillusionment over this simple fact. Yet it should rouse no such surprise. For after all, Congressional votes are influenced as largely by election prospects as are business policies by sales estimates. This is the first rule of practical politics in a democracy.

**T**WO conclusions again will be drawn by hard-headed business men who know all this and who have watched with misgivings the efforts of some of their fellows to apply sound business talents in the national political sphere, where such talents so often are at a discount. One is familiar: that business must make its case first and always in the court of public opinion. The other is closely connected with it: that this job must be done, not in Washington, but back home, where the votes are cast.

One difficulty with so many of the resounding memorials addressed by business to Congress is that, on many issues, there is no such thing as "business", speaking with a single voice. This is as it should be in a great diversified industrial nation wherein, for example, a wage-hour law means one thing to one section, but something quite different to another. It

is equally—and now more obviously—true of labor. However, the enemies of sound business legislation invariably make capital of this natural diversity of viewpoint and opinion whenever a minority voice speaks against the unified judgment of a majority of business men.

Business should and must be heard at Washington when Congress considers business legislation. But the fundamental political job for business men lies at their own doorsteps. If they are not satisfied with what their district representatives did in the 75th Congress, now is the time for them to digest their lesson and to bend their efforts toward seeing that their own neighbors and their local candidates for the 76th Congress are convinced that it is sound politics to recognize that what is good for business is good for everybody.

**B**ACK on the home grounds it isn't so easy for a good radio voice to prevail over facts. Moreover, the facts of prosperity and the facts of depression in local business are first-hand experience to listeners who might be left unmoved by the broad statistics of Congressional debate in far-away Washington. Here is the point at which business men are most united on all issues and here is the forum in which they can make themselves most effectively heard. If "business should go into politics", as its spokesmen so repeatedly have urged, this is the place for them to start going, not in Washington.

And the way to start going is to be practical about politics and politicians. Business did not get what it expected from the 75th Congress. It got what a majority of the members thought that public opinion wanted—or would stand for—or would re-elect them on. So let our public servants depart in peace. Our present concern is not with post-mortems on this session but with public opinion in—and before—the next.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20¢. Subscription: \$5.00 a year, U.S.A., possessions, and Canada. Other foreign, \$7.50. Cable code McGrawhill.

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